

# RKG DMR

Digital Marketing Report

Q3 2013

RKG

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# Executive Summary

## Paid Search

- Google search ad spending grew 18% year-over-year (Y/Y) in Q3. Although advertisers decreased smartphone cost-per-click (CPC) following the Enhanced Campaign transition, overall CPCs rose 9%.
- Bing Ads spending growth continued to outpace Google at 39% Y/Y. Non-brand click growth of 45% is driving those gains as Bing continues to benefit from improved ad matching technology.
- Tablets and smartphones combined to produce 30% of paid clicks and 24% of spend. Smartphone click share was flat from Q2 to Q3, while tablets gained 2 percentage points.
- Google smartphone CPCs fell from 60% of desktop levels at the end of Q2 to between 30-40% today. Many advertisers changed their strategic objectives around mobile to improve ROI, while the scalability of the Enhanced Campaign model has helped with capturing less expensive long-tail traffic.
- Google Product Listings Ads generated 35% of non-brand Google search clicks in Q3. Many large retailers are now devoting over half of their Google search spend to the format.
- Bing becoming default search option for Siri in iOS 7 showed no impact. Google's share of paid search clicks is running higher for iOS 7 than iOS 6.

## Organic Search and Social

- Missing or (not provided) query share accelerated at the end of Q3, reaching 80% as Google moved to shift more users to secure search, regardless of their browser or logged-in status.
- An issue with iOS 6 still led to 11% of Google organic searches being misattributed by web analytics in Q3 despite an increase in that traffic being properly identified. iOS 7 does not appear to suffer from the same problem.
- Nearly 31% of Yahoo organic search visits occurred on mobile devices, outpacing 30% from Google. This may speak to Google's better ability to monetize mobile.
- iOS devices accounted for an estimated 19% of organic search visits in Q3. iOS 7 adoption has been brisk, as visits from Apple's latest OS outpaced those of its predecessor in just two weeks.
- Facebook's share of social referrals to sites was 52% in Q3. Pinterest accounted for 14% of attributable social visits.

## Comparison Shopping

- The eBay Commerce Network's share of CSE clicks grew to 25% in Q3. It has gained share in recent quarters as it has expanded its network of partners.
- Shopzilla CPCs have remained steady since the introduction of its Smart Pricing model this summer, which featured \$4 minimum bids.

## Attribution

- Email continues to account for the highest percentage of last touch marketing revenue at 37%, but that share has decreased for the last few quarters.

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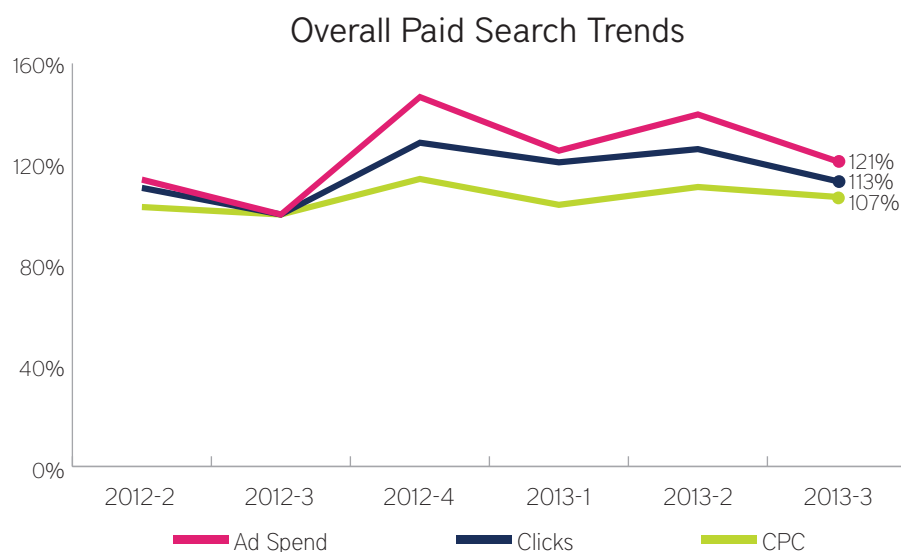
# Paid Search

# Paid Search

With Google's Enhanced Campaigns model becoming mandatory in late July, Q3 held the potential for greater than usual volatility as advertisers adjusted to a new paradigm for bidding segmentation. Ultimately, the high level search marketing trends ended up being largely stable. However, in some of the details that we will examine below, particularly around mobile, we can see some clear effects of the Enhanced Campaigns transition and how advertisers responded to it.

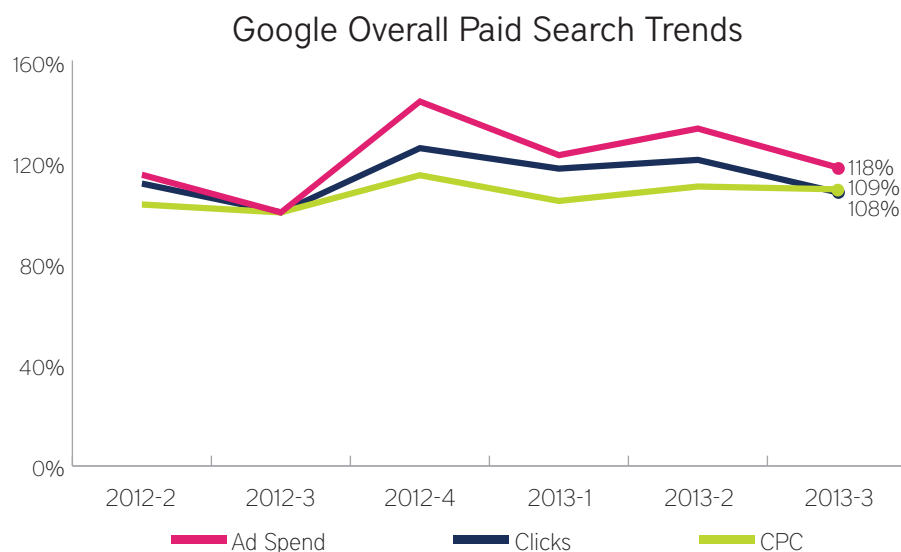
## Growth in Total Paid Search Spending Remains Strong

Search spending rose 21% year-over-year for our client sample in Q3, a slight deceleration from Q2 growth. Click volume increased 13% across all engines while average cost-per-click (CPC) increased 7%.



## Google Growth Stable Under Enhanced Campaign Model

Google search spending increased 18% Y/Y in Q3, which was in line with Q2 growth. RKG saw Q/Q volume declines, a reflection of typical seasonality in the retail vertical. Average cost-per-click increased 9% Y/Y, but was down slightly from Q2.

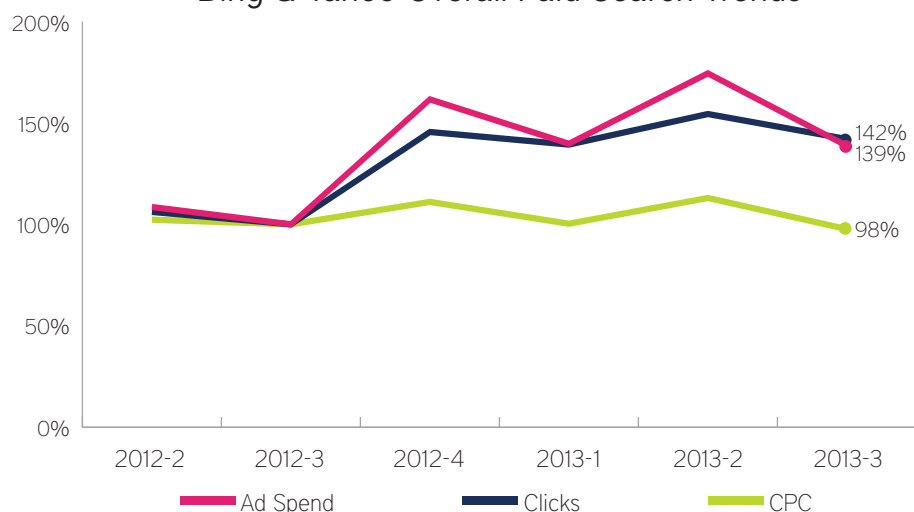


# Paid Search

## Bing Ads Continues to Outpace Google Even as Growth Slows

Year-over-year spending growth on Bing Ads decelerated from nearly 60% in Q2 to a still impressive 39% in Q3. Click growth was nearly unchanged from Q2 levels at 42%, but CPCs fell 2% overall as advertisers found the cost to maintain a presence on their brand terms fall sharply. More on that below.

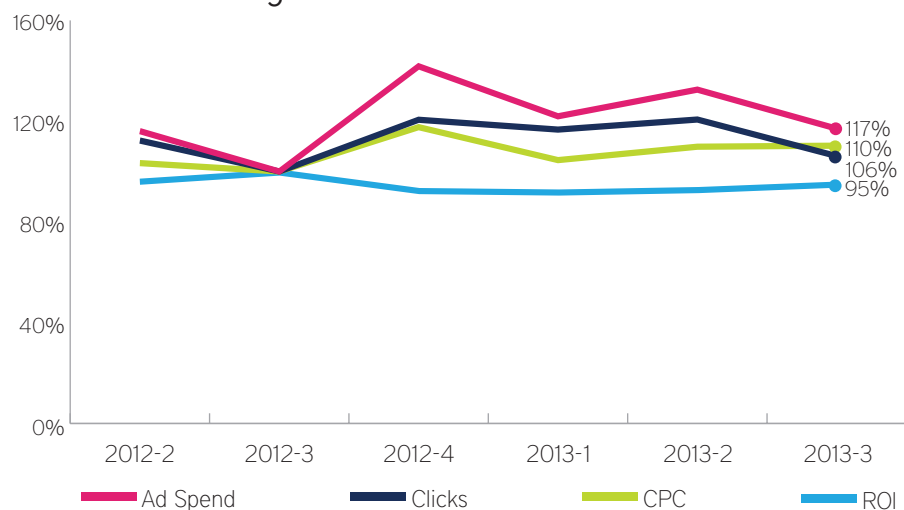
### Bing & Yahoo Overall Paid Search Trends



## Google Non-Brand ROI Improves from Q2 to Q3

For Google non-brand, or competitive search, click volume rose 6% Y/Y driven by growth in PLA traffic. Many retailers are seeing Y/Y declines in text ad volume as Google shifts traffic to the image-based PLA format. CPCs were 10% higher Y/Y and flat from Q2 to Q3. ROI has improved throughout 2013.

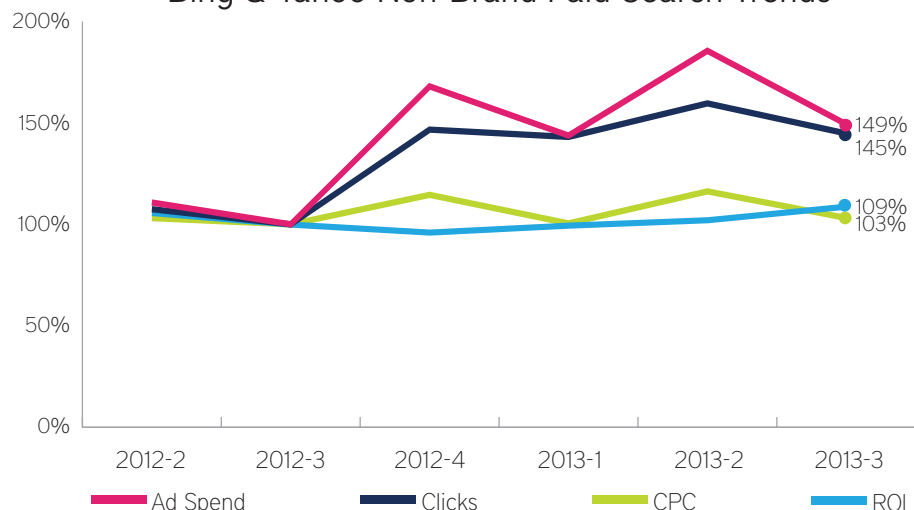
### Google Non-Brand Paid Search Trends



## Even With Large Traffic Gains, Bing Ads ROI Up

Non-brand click volume from Bing Ads increased 45% Y/Y in Q3, with CPCs up just 3%. Advertiser ROI has improved on Bing Ads even as the platform has been able to deliver big traffic increases with better ad matching technology.

### Bing & Yahoo Non-Brand Paid Search Trends

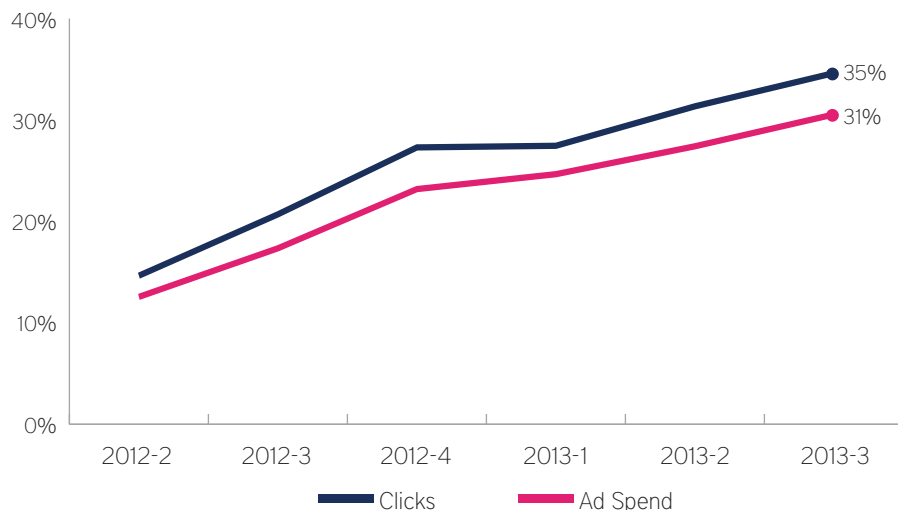


# Paid Search

## PLAs Now 35% of Google Search Clicks, Significantly Higher for Some Retailers

The Product Listings Ads format received an appreciable traffic boost last year when Google began using it to power its Google Shopping platform, and its share of Google search clicks has continued to rise, coming in at 35% in Q3 for RKG clients. CPCs are still 15-20% lower for PLAs compared to competitive text ads in aggregate, reflecting query mix differences between the two.

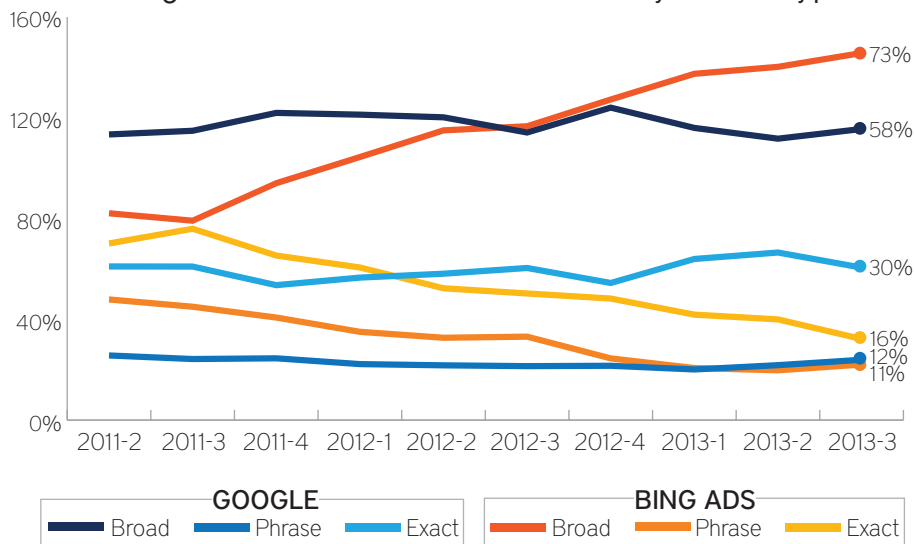
Product Listing Ads Share of Non-Brand Google Search



## Broad Match Continues to Drive More of Bing Ads' Traffic Volume

Broad matches between search queries and keywords drove 73% of non-brand Bing Ads clicks in Q3. That is up from 40% two years earlier. Over the same period, broad match share has been flat for Google at 58%. Bing's more expansive ad matching has helped it deliver large traffic increases over the past several quarters.

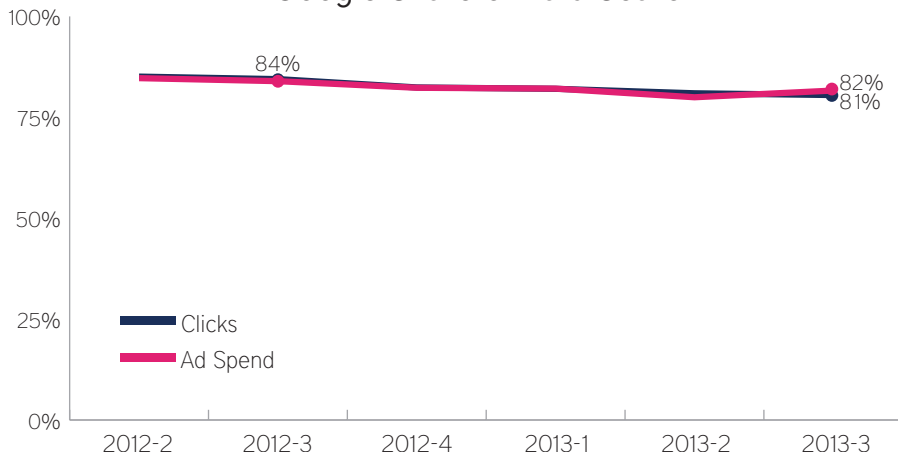
Engine Share of Non-Brand Clicks by Match Type



## Google Gains Back Spend Share, Despite Bing's Stronger Y/Y Growth

Google's stronger quarter to quarter performance helped it gain nearly 2 percentage points of ad spend from Q2 to Q3. Bing continued to chip away at clicks, however, as it saw its share increase to 19.5%.

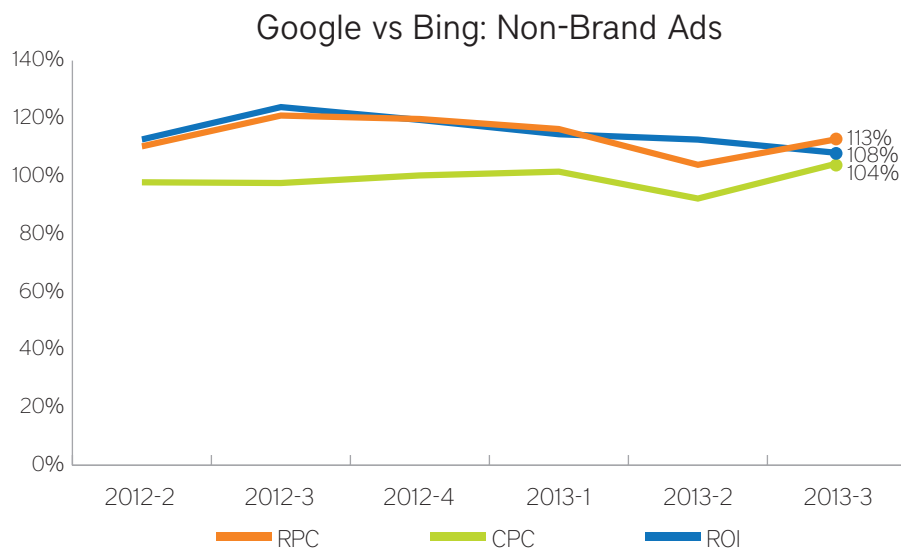
Google Share of Paid Search



# Paid Search

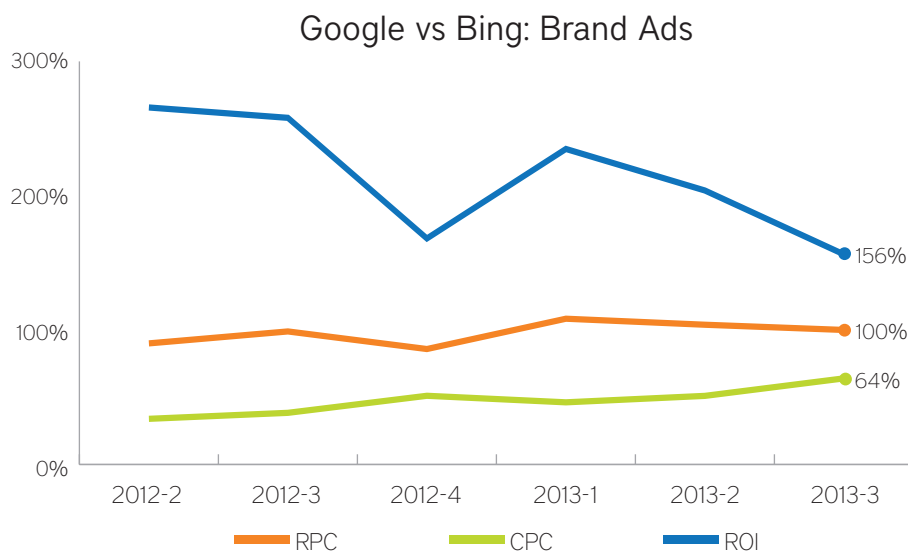
## Google Revenue-Per-Click Improves Compared to Bing

Due in part to advertiser response to Enhanced Campaigns, Google's non-brand revenue-per-click (RPC) gained ground on Bing's, coming in 13% higher in Q3 after the two had shown increasing parity over the previous year. RKG advertisers are seeing improved smartphone ROI on Google due to strategic changes and the easier scalability of the Enhanced Campaigns model.



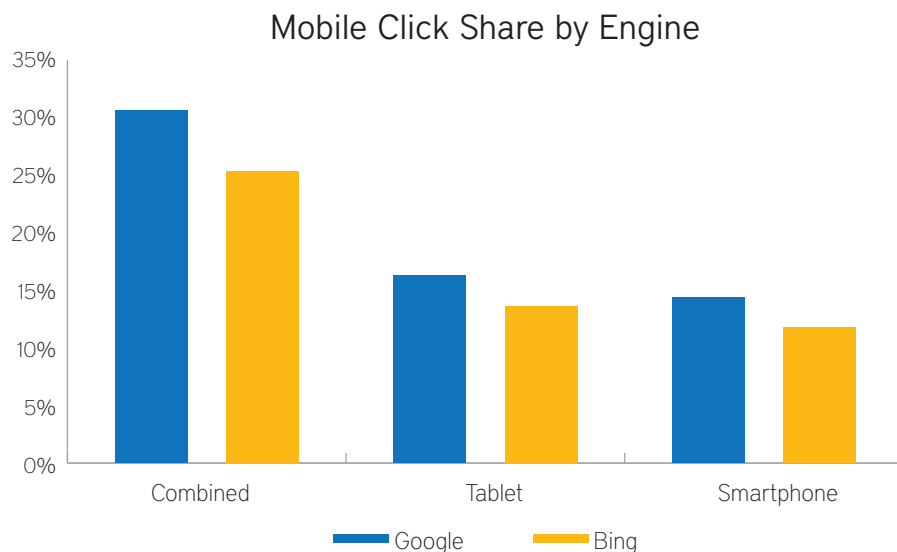
## Brand CPCs Coming Into Greater Alignment Across Engines

While brand CPCs have risen sharply on Google in recent quarters, we are now seeing the reverse on Bing, although Google's brand CPCs are still 36% lower. We believe the trending of both engines is due primarily to algorithmic changes outside of advertiser control. In Google's case, they appear to be normalizing quality score more for ad prominence, rather than just ad position.



## Google Still Generating a Larger Share of Clicks from Mobile Devices

Between smartphones and tablets combined, 31% of Google paid search clicks occurred on mobile devices in Q3. Bing has closed the gap a bit, but its mobile click share was 6 percentage points lower, with the difference split roughly evenly between tablets and phones.



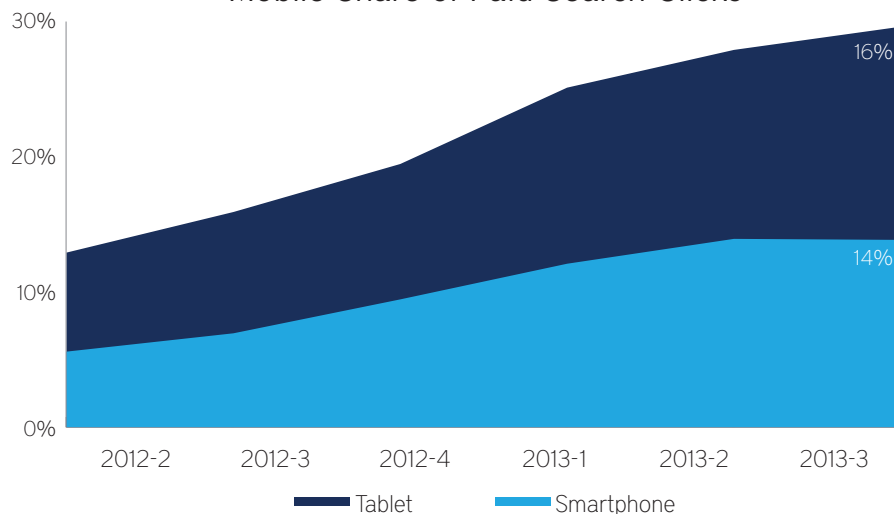


# Paid Search

## Smartphone Click Share Flat Q/Q, Tablets Continue to Make Gains

Smartphones generated just under 14% of search ad clicks in Q3, while tablets generated 16%. Smartphone share was flat Q/Q despite many RKG advertisers reducing smartphone bids, in conjunction with the transition to Enhanced Campaigns, in order to bring mobile ROI more in line with desktop.

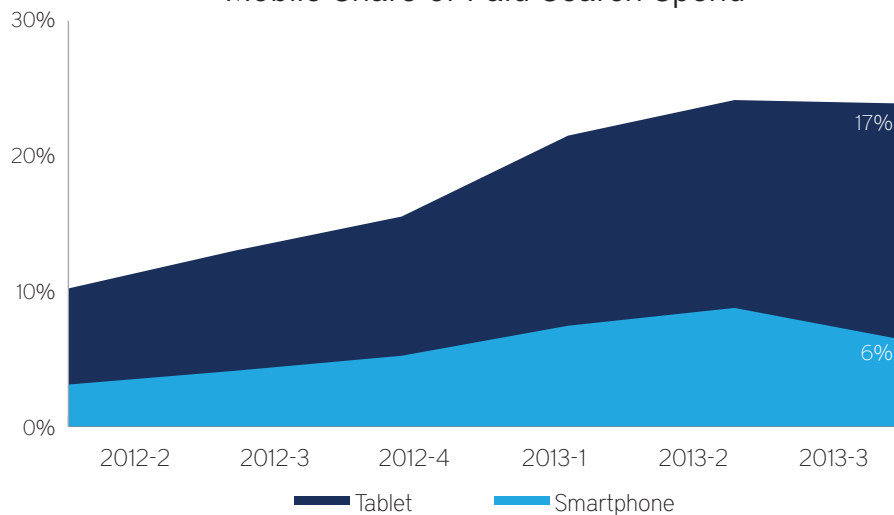
Mobile Share of Paid Search Clicks



## Smartphone Share of Search Spend Falls 1.4% from Q2 to Q3

From a direct response perspective, smartphone ROI has compared poorly to desktops and tablets historically, and many advertisers sought to bring performance for these device classes into greater alignment in Q3. As a result, advertisers reduced bids on smartphones, resulting in phones' share of search ad spend decreasing from 8.8% in Q2 to 6.4% in Q3.

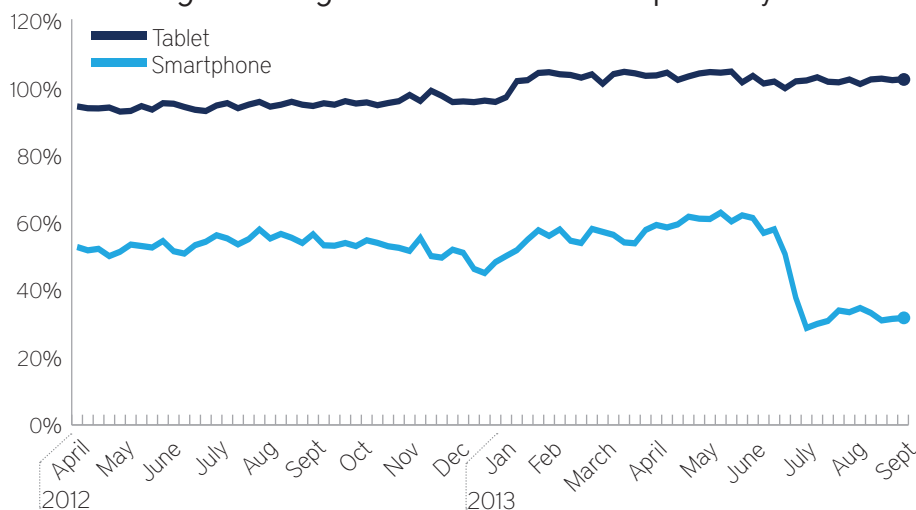
Mobile Share of Paid Search Spend



## Google Smartphone CPCs Reduced Sharply After Enhanced Campaign Transition

RKG transitioned most campaigns to Enhanced Campaigns in late June after refining upgrades to our proprietary bidding technology. After the transition, phone CPCs fell sharply relative to desktop. This was in part due to strategic decisions to improve phone ROI along with an improved ability to capture better performing, and less expensive, tail traffic.

Google Average Mobile CPC vs Computer by Week

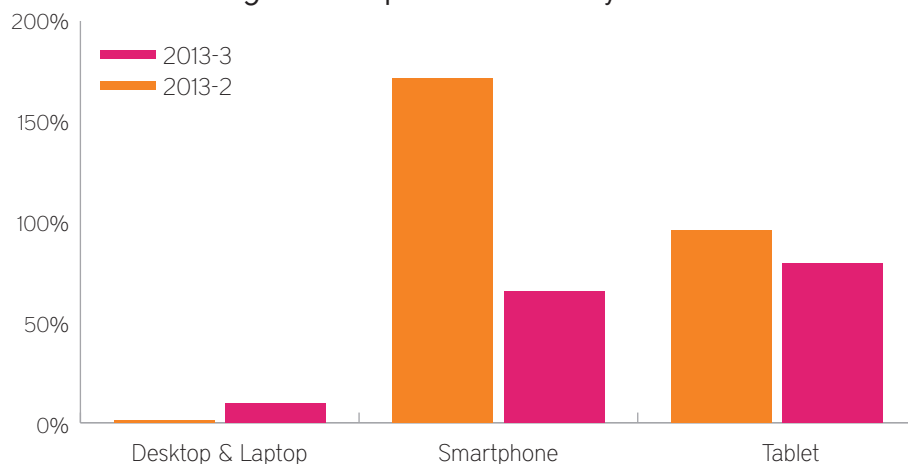


# Paid Search

## Mobile Still Driving Google Spend Growth, but a Shift Back to Desktops

Even with reduced CPCs from Q2, smartphone spend grew 66% Y/Y in Q3. Tablet spend increased 79%, down from 96% in Q2. Desktop spending accelerated to 10% Y/Y as we saw some of the gains from mobile ROI improvement reinvested back into the better performing segment.

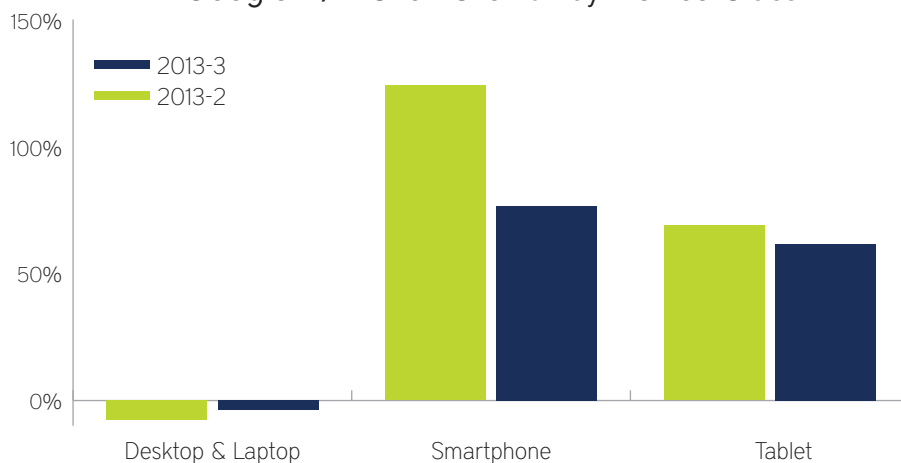
Google Y/Y Spend Growth by Device Class



## Google Desktop Click Growth Shows Slower Decline

Although desktop clicks were still down 4% Y/Y in Q3, that was up from an 8% decline in the previous quarter as advertisers shifted some spend back to Desktops following the Enhanced Campaign transition.

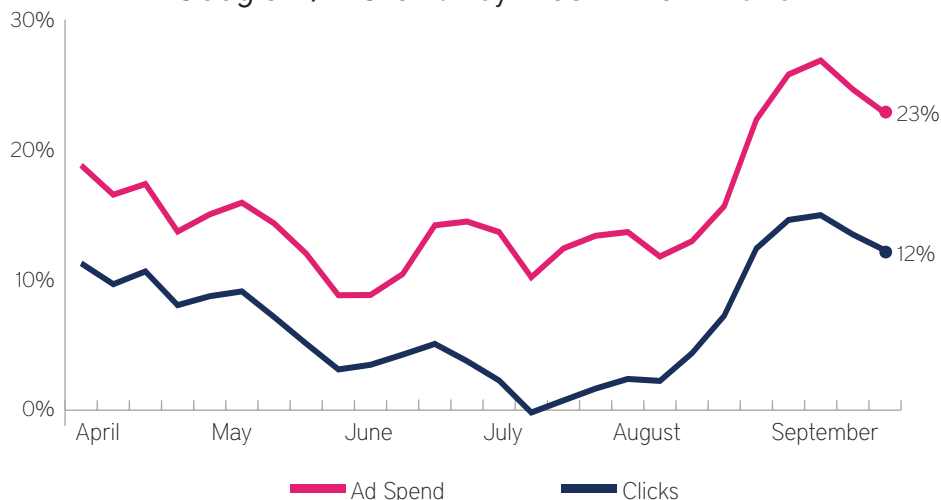
Google Y/Y Click Growth by Device Class



## Google Growth Rate Accelerates Going into Q4

Looking at intra-quarter trends, we saw Google spend and click growth decelerate over most of Q2 and into the first half of Q3. Much of this is due to lapping the Google Shopping transition last year, which bolstered paid click volume at the time. As we passed that period and advertisers have adjusted to the Enhanced Campaigns transition, Google volume growth has accelerated.

Google Y/Y Growth by Week - Non-Brand

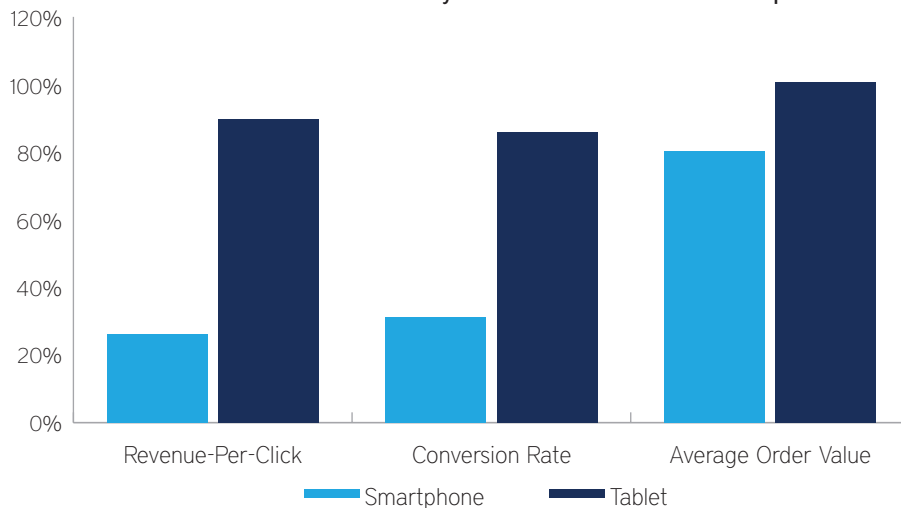


# Paid Search

## Smartphone Revenue-Per-Click a Quarter that of Desktops

At the crux of the smartphone CPC declines noted above is the relative revenue-per-click generated by each device class. While tablet revenue-per-click is about 10% lower than that for desktops and laptops, smartphone RPC ran 74% lower in Q3. Even assuming large cross-device spillover, smartphone traffic appears to have been overvalued at CPCs of 50-60% of desktop levels.

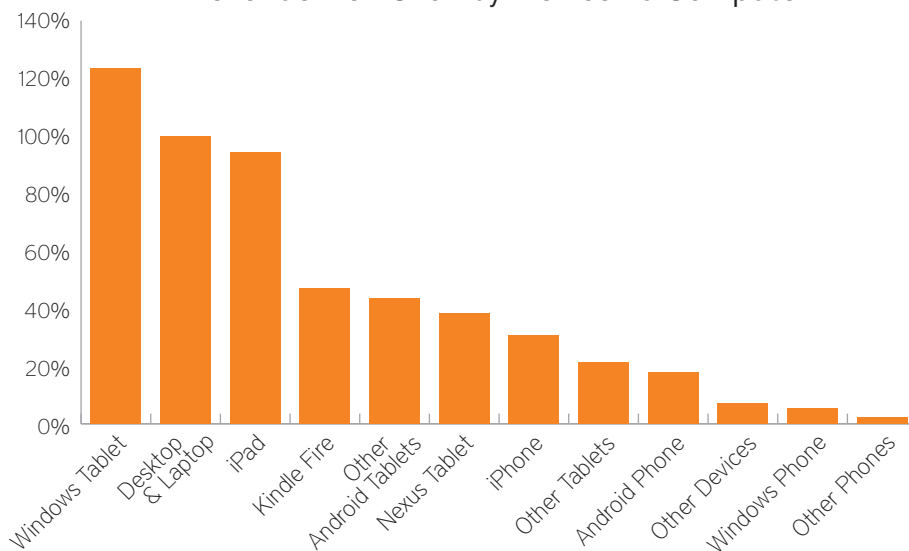
Conversion Metrics by Device Class vs Computer



## Most Tablet Models Perform Poorly Compared to Desktop

Although Enhanced Campaigns have proven beneficial for effectively scaling mobile keyword coverage, much of the initial pushback on the new model centered, for good reason, around the loss of device-specific segmentation options. Even within classes of devices like tablets and smartphones, we continue to see a wide disparity in conversion performance. In Q3, revenue-per-click for the iPad was 2.5x greater than that for Google's own Nexus tablets.

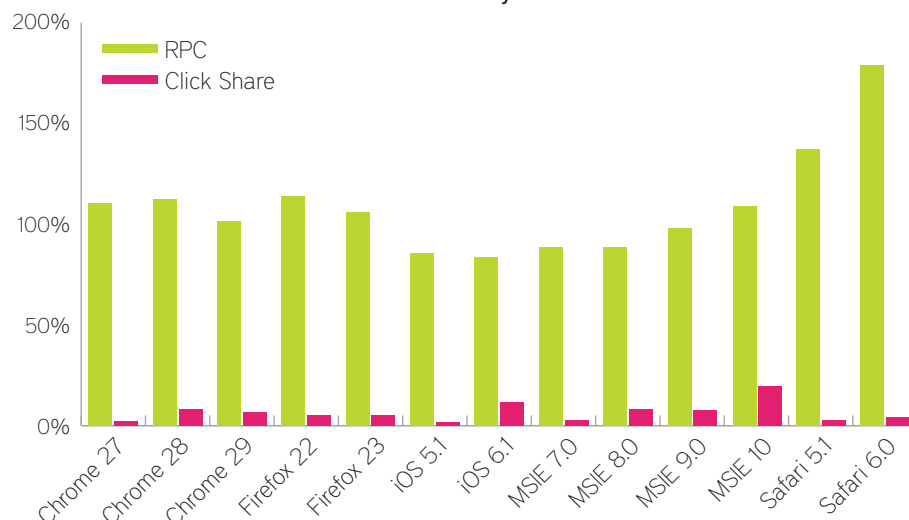
Revenue-Per-Click by Device vs Computer



## Advertisers See Large Variance in RPC Across Browsers

Similar to device type, the user's choice of browser can be highly indicative of their potential to convert. Clicks from newer browser versions tend to generate higher revenue, and Safari clicks outperform those from Chrome, Firefox and Internet Explorer. Google's Conversion Optimizer feature accounts for browser in its bid adjustments, but advertisers have no direct control.

Revenue-Per-Click by Browser vs Overall

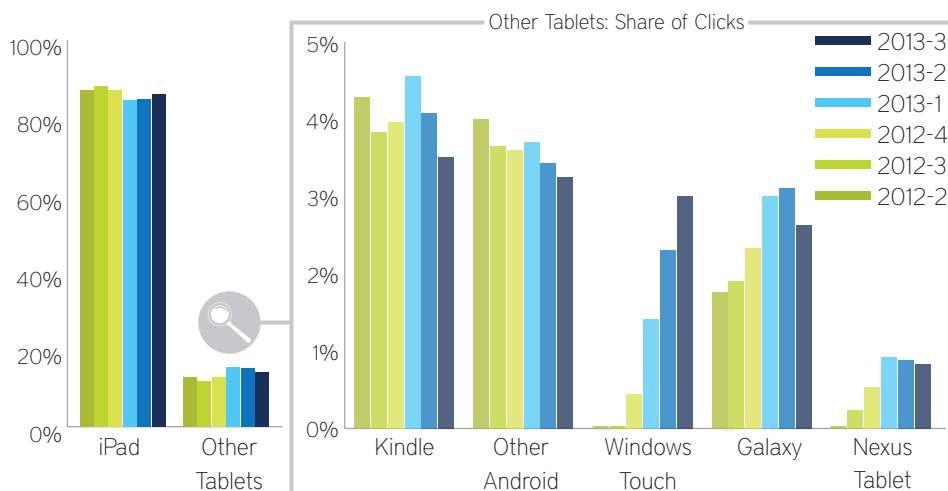


# Paid Search

## iPad Share of Tablet Traffic Edges Up to 86%

In terms of traffic being produced, we see no signs that competitors of the iPad have collectively made any gains during 2013. Windows touch-compatible computers, which include the Surface line, have seen their tablet traffic share rise to 3%, but those gains have come from smaller players.

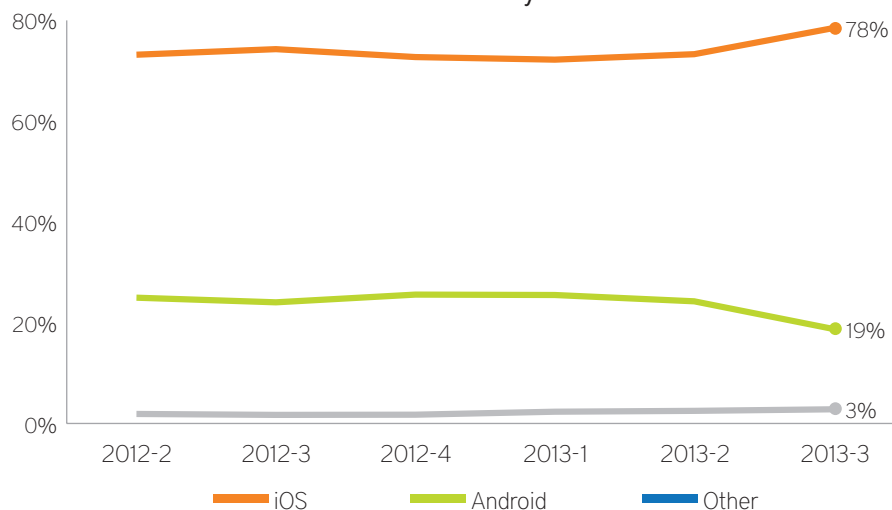
### Share of Tablet Clicks



## iOS Gains Mobile Click Share Following Enhanced Campaign Transition

With the Enhanced Campaign transition producing a relative shift in mobile traffic to tablets, where the iPad remains dominant, iOS produced a larger share of mobile clicks in Q3. iOS accounted for 78% of mobile search ad clicks, compared to 19% for Android.

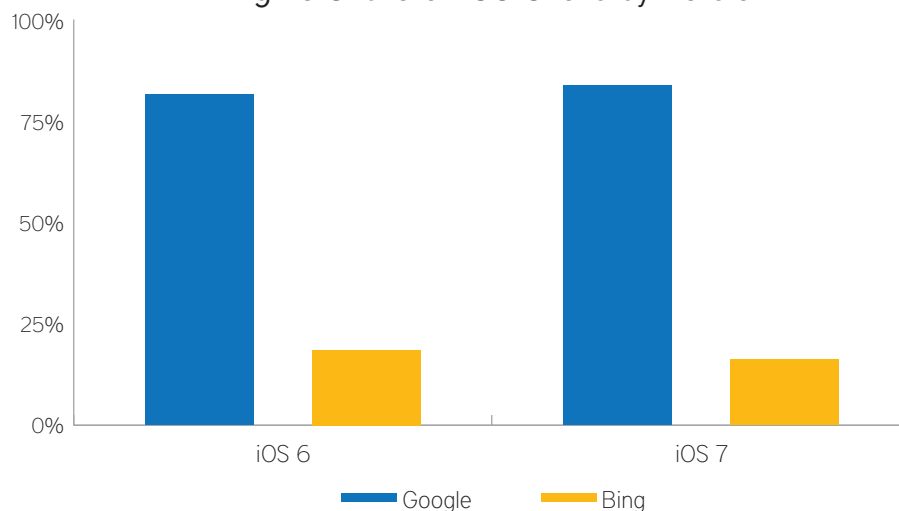
### Share of Clicks by Mobile OS



## Default Search Engine Change for Apple's Siri Shows No Impact

While Google remains the default search engine for Safari on iOS devices, with the release of iOS 7, Bing became the default engine for Siri voice search. We can see no significant impacts from that change. Google held an 81% share of iOS 6 clicks at the end of Q3 and an even higher share of iOS 7 clicks at 84%.

### Engine Share of iOS Clicks by Version



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# Organic Search & Social

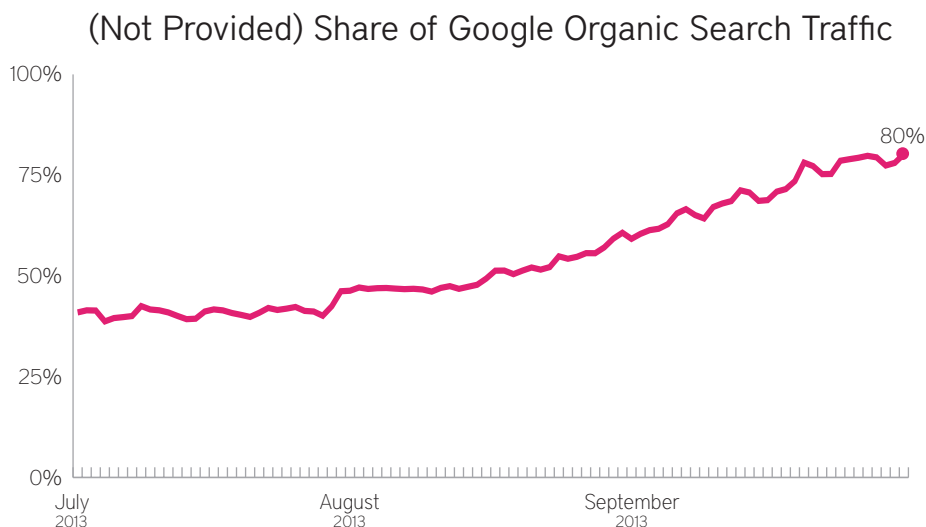
# Organic Search & Social

Several developments over Q3 had major impacts on how organic search data is seen by marketers. In early August, iOS 6 devices began passing referrers at greater rates, lessening, though not eliminating the amount of Google organic searches being attributed as direct visits. By mid-August a greater shift emerged as Google began pushing more users to secure search. As a result, organic query data began disappearing at an accelerated rate and (not provided) share soared. The news wasn't all bad, as Apple's iOS 7, released in mid-September, appears not to suffer from the same attribution issues that iOS 6 introduced.

To understand more about Google's shift to secure search and how RKG's Blueprint can help surface (not provided) query data - download our white paper: [A World Without Search Query Data In Web Analytics: What To Do About "Not Provided" Google Traffic](#)

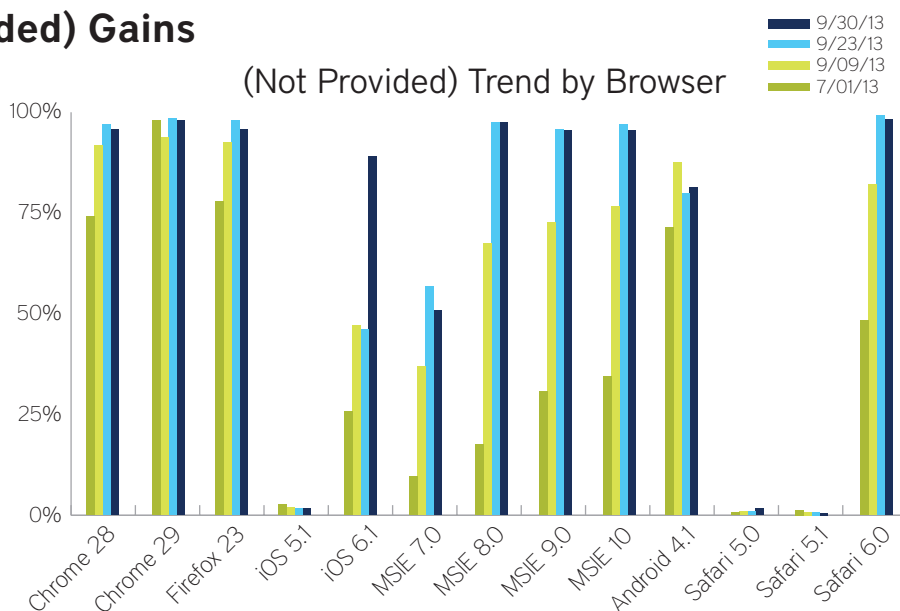
## Google Queries Disappearing Quickly, (Not Provided) Approaching 100%

Through most of July, not provided hovered around 40% of Google search visits. Marketers saw that share jump 6-7% in early August as more iOS 6 visits were properly attributed as organic searches. After a brief plateau, not provided share accelerated to a new trajectory as Google shifted more users to secure search.



## Browsers Like Internet Explorer That Did Not Default to Secure Search Are Responsible for Most (Not Provided) Gains

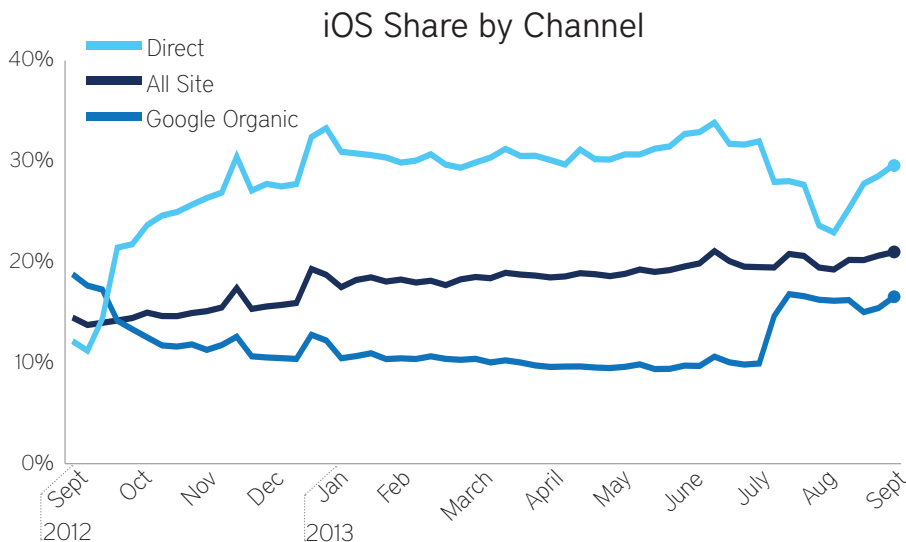
Comparing not provided share across popular browsers shows where the recent surge in missing queries has taken place. Nearly all queries have been hidden from Chrome version 29 since its release, while Internet Explorer 10 data shows not provided jumping from a third of queries in July to almost all queries in mid-September. Interestingly, older versions of Safari and iOS are still passing query information for nearly all search visits.



# Organic Search & Social

## iOS Still Underrepresented in Google Organic Due to Missing Referrers

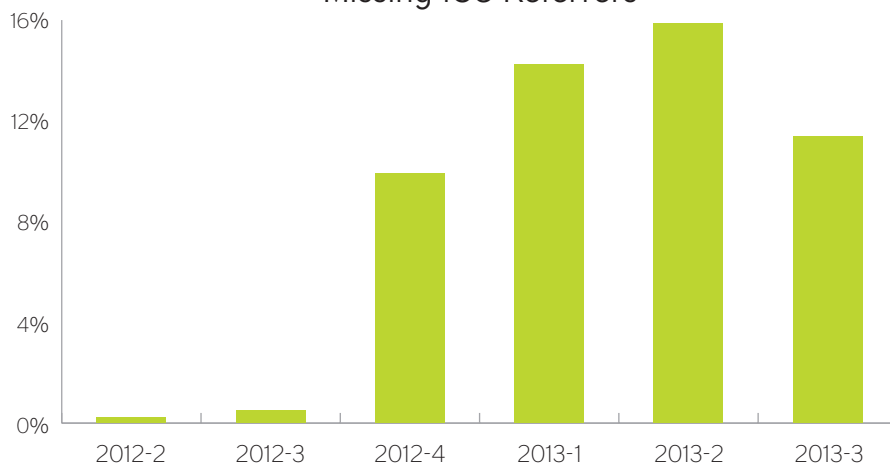
As noted above, while iOS 6 passing more referrer data did lead to a jump in iOS share of Google organic traffic, iOS represented just 17% of recorded Google organic visits at the end of Q3, compared to 30% of direct visits. Before iOS 6 in early September 2012, iOS held a larger share of Google organic. These figures point to a significant amount of iOS organic visits still being hidden.



## An Estimated 11% of Google Organic Visits Hidden Due to iOS 6 in Q3

If we assume iOS 6 should comprise roughly the same share of total iOS traffic across channels we can estimate how many search visits have been hidden by missing referrer data. After peaking in Q2 at 16%, the share of missing iOS 6 visits declined to 11% in Q3 as more referrers were passed.

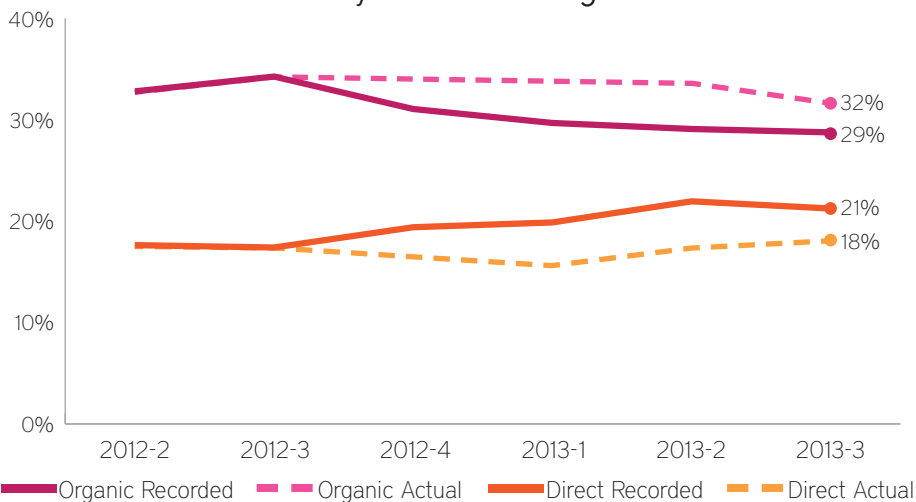
Estimated Share of Google Organic Hidden Due to Missing iOS Referrers



## Organic Search Share Down Slightly Q/Q and Y/Y

After applying estimates for hidden iOS searches, organic search comprised 32% of all site visits in Q3 2013, a slight decline from 33% in Q2 2013 and Q3 2012. Direct site visits are flat Y/Y. Without accounting for the iOS issue, organic search share would appear to have fallen to 29%, while direct traffic would show a 4 percentage point increase Y/Y.

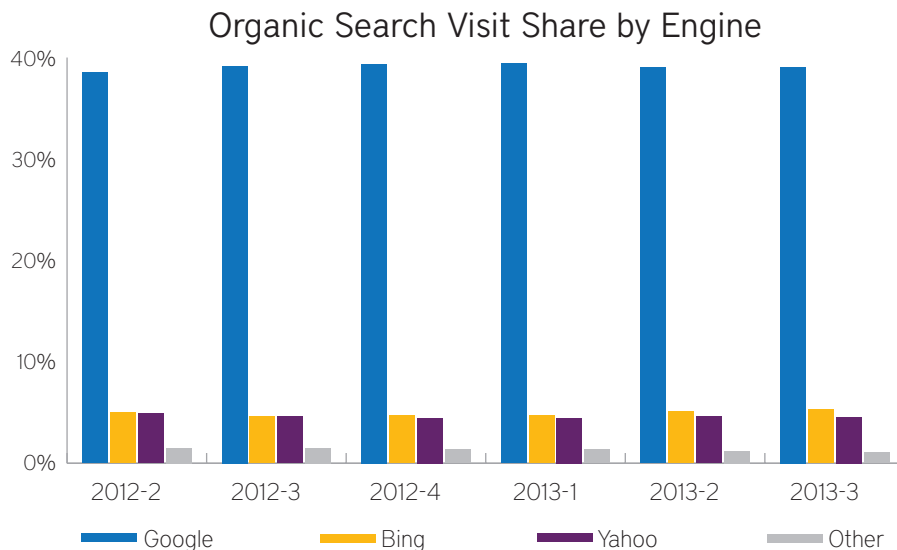
Visit Share by Channel – Organic vs Direct



# Organic Search & Social

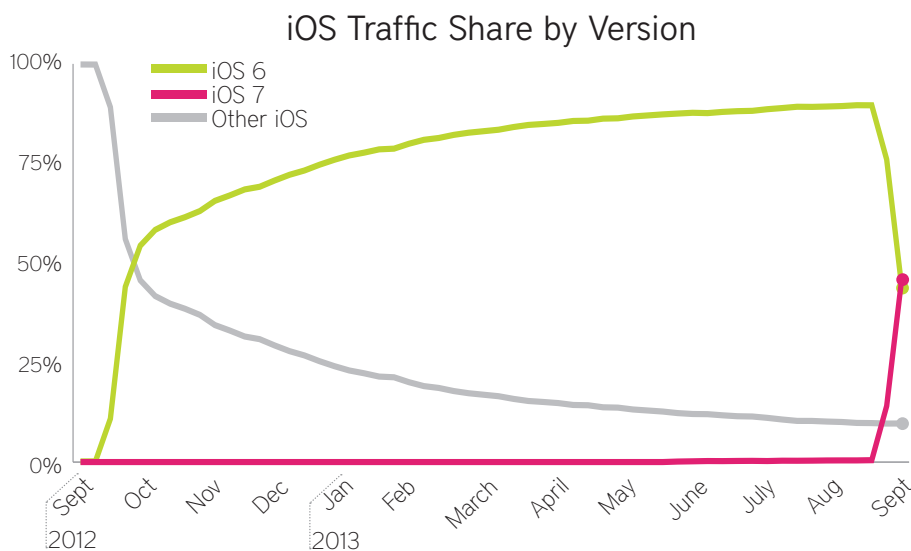
## Bing Sees Largest Organic Search Share Gains, Yahoo, Others Down

Bing's share of organic search visits increased from 10.1% in Q2 to 10.5% in Q3. Yahoo's share slipped slightly to 9.1%, while Google's rose a bit to 78.1%. Traffic share for smaller engines has shown declines over the past year.



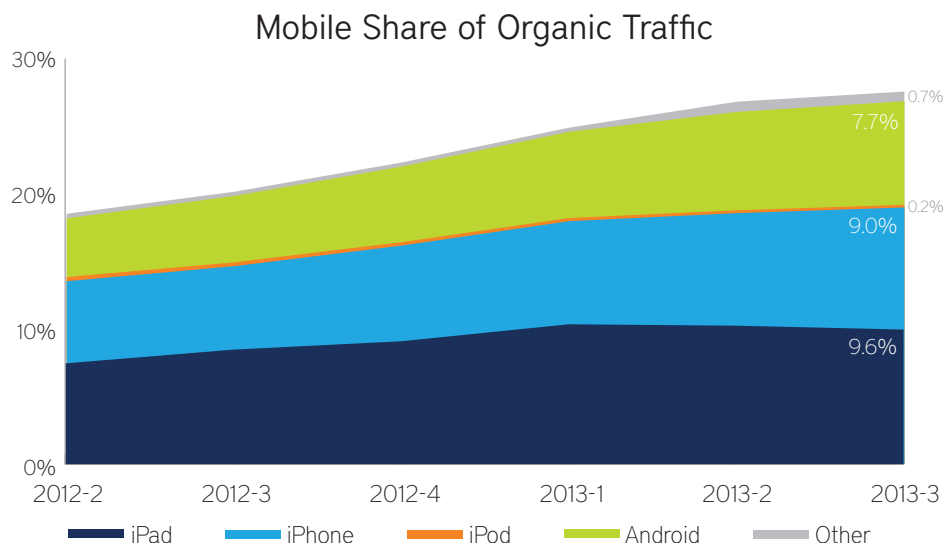
## iOS 7 Traffic Outpaces iOS 6 in Second Week of Release

iOS users have been quick to upgrade as iOS 7 traffic overtook iOS 6 in just the second week of its release. Last year it didn't take much longer for iOS 6 to best its predecessor, doing so in its third week. As indicated above, this will have important ramifications for organic search reporting, as iOS 7 should not have the same attribution problems as iOS 6.



## Smartphones and Tablets Account for 28% of Organic Search Visits

Led by the iPad at 10% of organic search visits, iOS devices generated 19% of organic search visits in Q3. Android accounted for 8% of organic search, while other mobile devices only account for less than 1%.



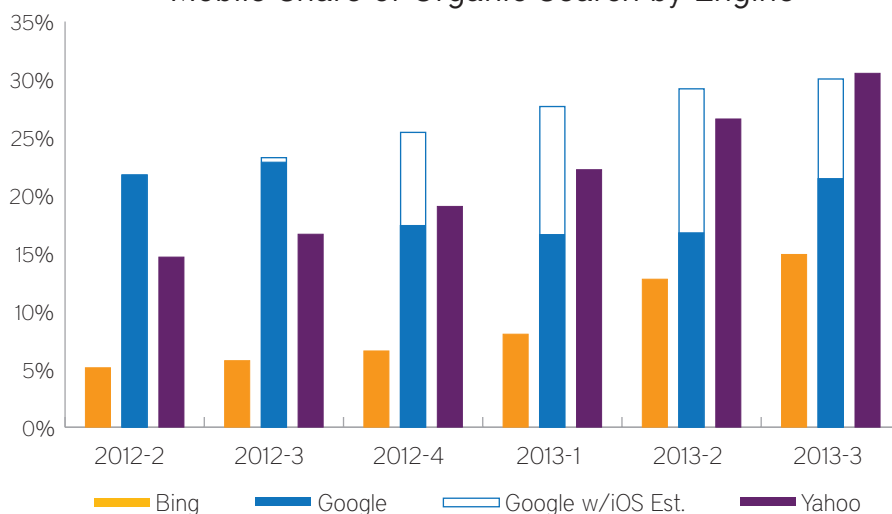


# Organic Search & Social

## Yahoo Appears to Outpace Google in Mobile Share of Organic Search

After including estimates for hidden iOS visits, 30% of Google organic searches were from mobile devices in Q3. After making huge gains over the past year, Yahoo now sees 31% of its searches on mobile. It is a bit surprising to see Yahoo overtake Google in this area, but these numbers could reflect Google better monetizing its mobile traffic or simply some margin of error in our iOS estimations.

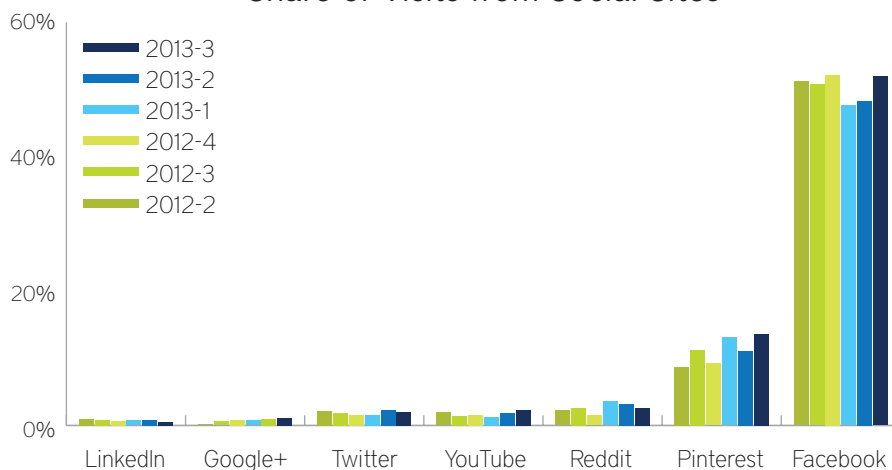
Mobile Share of Organic Search by Engine



## Pinterest Continues to Make Gains in Social Visit Share

While Facebook continues to generate the lion's share of social visits, Pinterest now accounts for nearly 14% of attributable visits for social media sites. Although Google+ may hold high import due to its potential to influence SERPs, it is only generating about 1% of social visits.

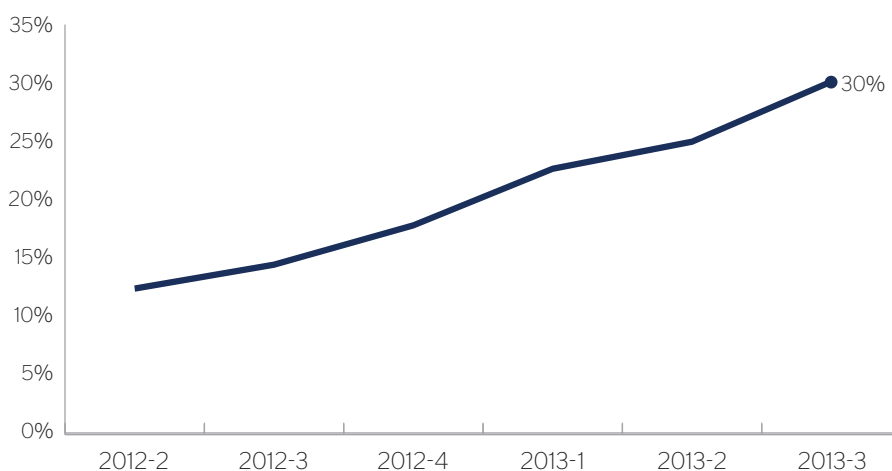
Share of Visits from Social Sites



## Mobile Share of Social Visits Doubles Y/Y

In Q3, mobile devices accounted for over 30% of visits from social sites. Users have moved rapidly to mobile for social media over the past year as mobile social visit share has doubled.

Mobile Share of Social Visits



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# Comparison Shopping Engines

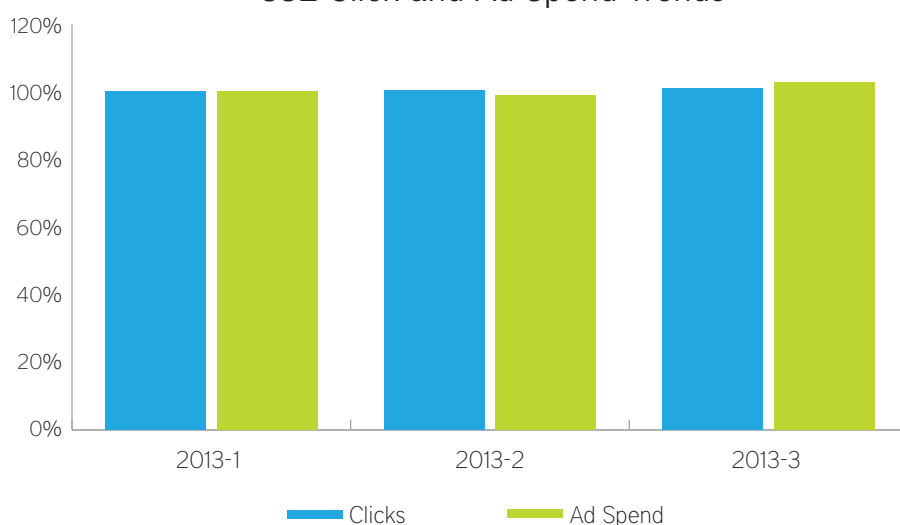
# Comparison Shopping Engines

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 Advertiser Traffic and Spend Holding Steady

Same site CSE clicks and ad spend have remained relatively the same from Q1 to Q3, with no significant fluctuations in either metric for any quarter.

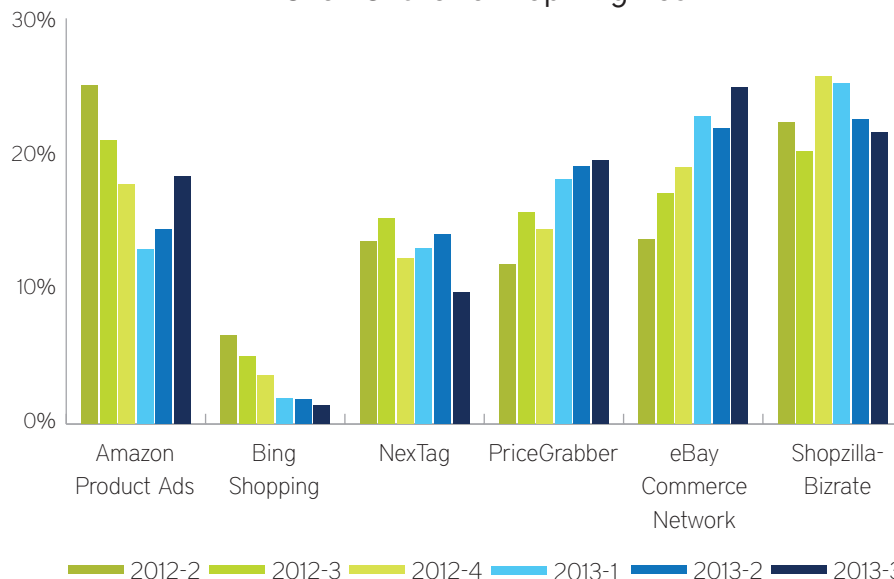
CSE Click and Ad Spend Trends



## eBay Commerce Network Tops Shopzilla-Bizrate with Highest Click Share

The eBay Commerce Network's click share grew to 25% in Q3, gaining share over time as eBay has expanded its network of partners. Amazon Product Ads had more than a 25% increase in click share to return to Q4 2012 levels. Shopzilla click share fell despite their single rate card system.

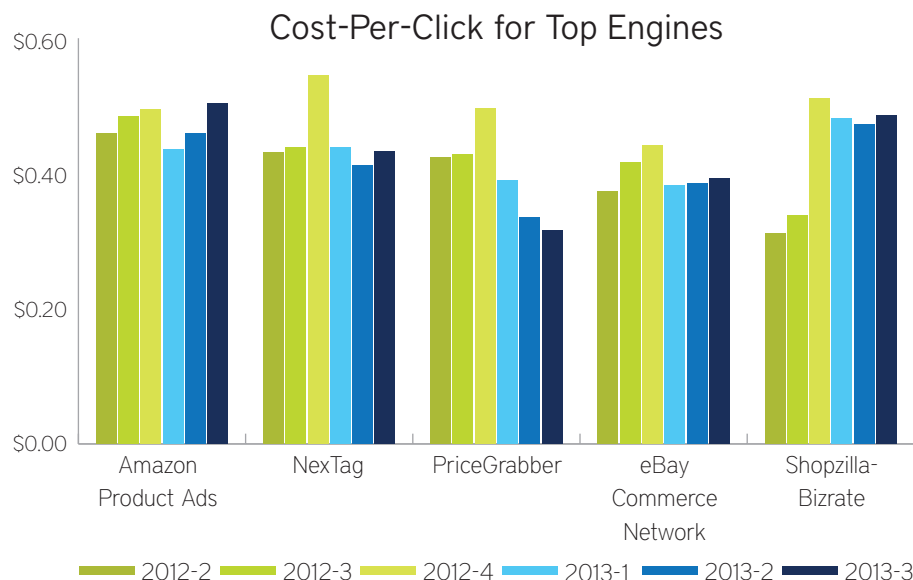
Click Share for Top Engines



# Comparison Shopping Engines

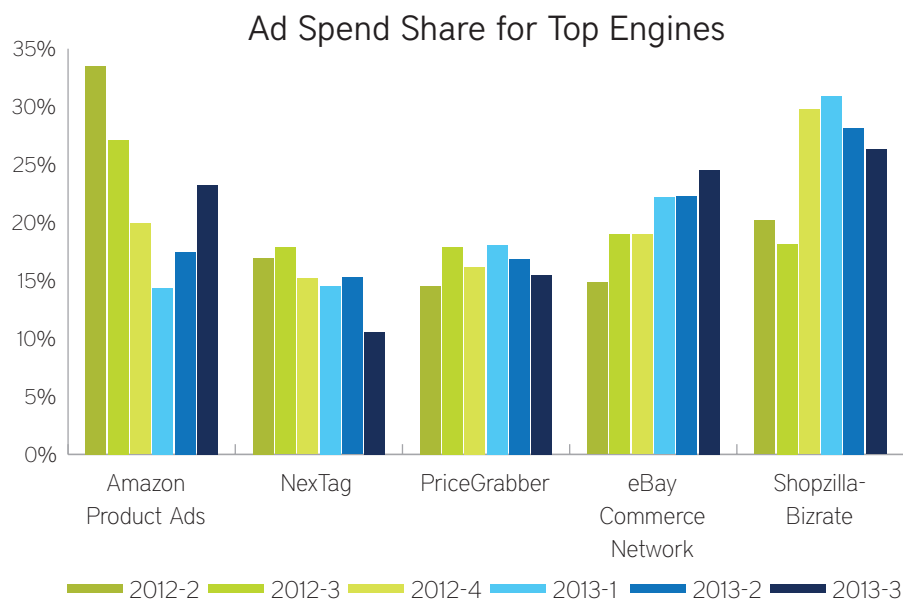
## Shopzilla-Bizrate CPCs up slightly from Q2 to Q3, Up 44% Y/Y

Amazon Product Ads saw a 10% increase in CPC from Q2 to Q3 and Nextag saw a 5% increase as minimum rate cards for both increased. PriceGrabber CPCs were down 26% year-over-year after three straight quarters of decline. Shopzilla CPCs have remained relatively stagnant since they implemented their single rate card system.



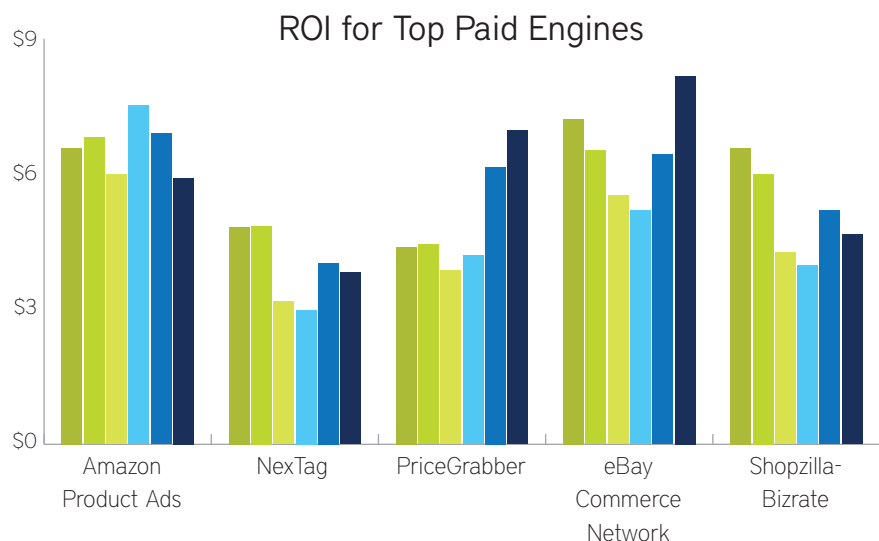
## Amazon Product Ads See Biggest Gain in Spend Share from Q2 to Q3

Amazon Product Ads' spend share is down year-over-year but grew from 17% in Q2 to 23% in Q3 with lifts in CPCs and click share. Nextag spend share decreased from Q2 to Q3 despite higher CPCs as traffic decreased.



## Average ROI Growth Slows in Q3

ROI on the eBay Commerce Network jumped 27% from Q2 to Q3, while ROI decreased for Amazon Product Ads and Nextag as the price of clicks went up for both with increased rate card minimums.



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# Attribution

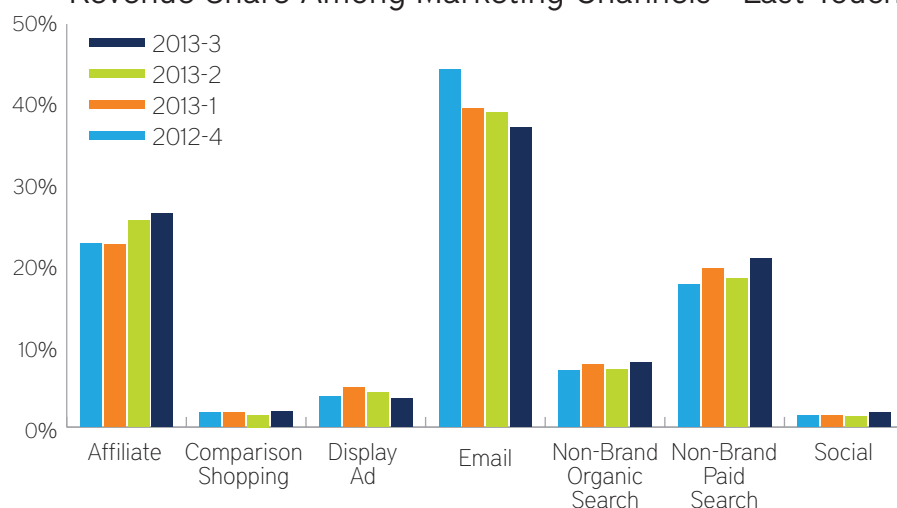
# Attribution

As we have done with past editions of the Digital Marketing Report, our analysis of Q3 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 Largest Channel by Last Touch Revenue, but Decreasing in Share

Under a simple last touch attribution scheme, email continues to account for the highest percentage of marketing revenue at 37%, but has now decreased in share for three straight quarters. Factors such as increased mobile email checking and Gmail's new tab system which relegates marketing emails to the promotions tab may be to blame.

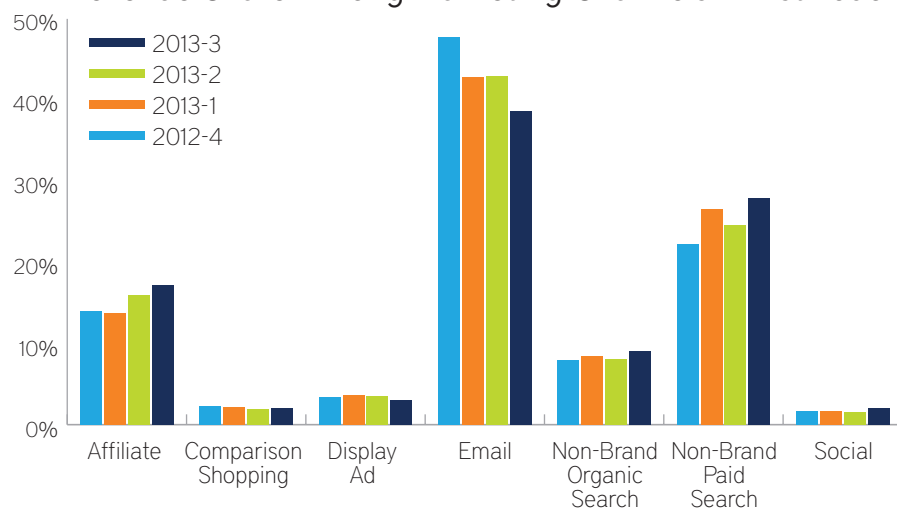
Revenue Share Among Marketing Channels - Last Touch



## Non-Brand Paid Search, Social see largest Percentage Gains in Share of First Touch Revenue

Under a simple first touch attribution scheme, email also saw a decline in revenue share in Q3. Non-brand paid search revenue share grew to 28% of first touch revenue, and the still small Social share grew by a third to top 2% of revenue for the first time.

Revenue Share Among Marketing Channels - First Touch

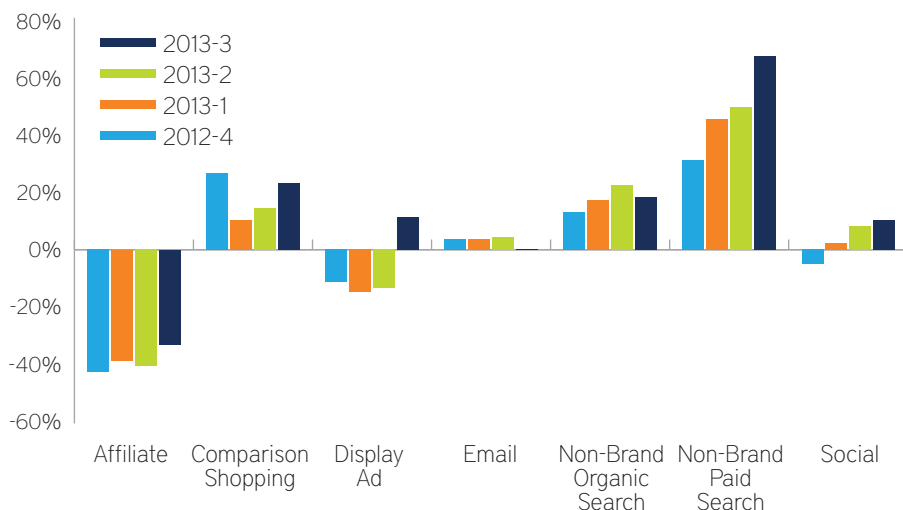


# Attribution

## Changing Attribution Model Increases Paid Search Revenue Significantly

Always one of the channels most affected by switching attribution models, Paid Search revenue would now increase by 67% if a site were to switch from a last touch model to a first touch model, up from a 49% difference in Q2.

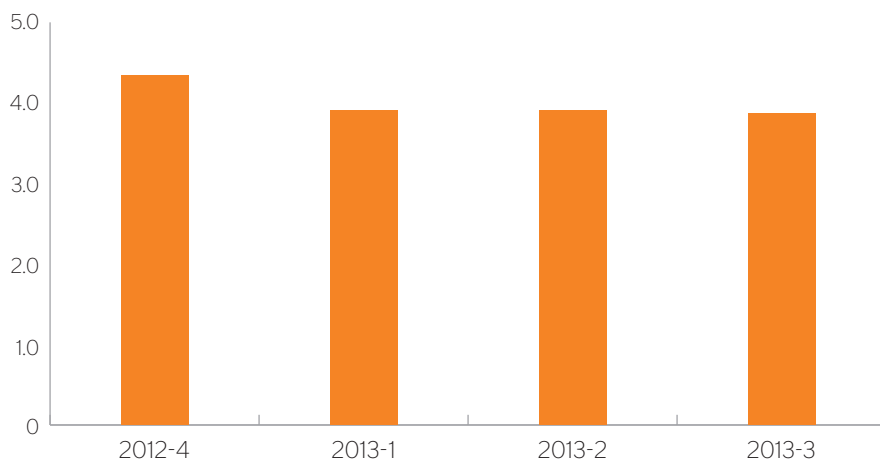
Change in Revenue Contribution Moving from Last to First Touch Attribution Model



## Marketing Touches Hold Steady Heading into Q4 2013

Excluding navigational brand searches, average marketing touches per order have remained about the same for three straight quarters entering the holiday season, during which marketing touches were higher last year.

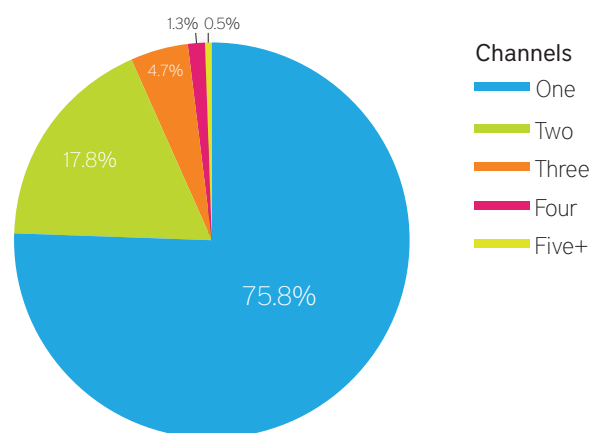
Average Marketing Touches Per Order



## Share of Orders Attributed to Single Marketing Channel Remains Stable

The percentage of orders involving a single marketing channel remained steady at roughly 76%, providing insight on how multiple touches tend to be dispersed.

Marketing Channels Per Order



# 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 pay-per-click, SEO, social media, display advertising and comparison shopping engine management services. RKG also offers proprietary search analytics and diagnostics software, RKG Blueprint, which transforms SEO and web analytics data into insight and action.

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 New York 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 Seattle, WA, San Francisco, CA, Bend, OR and Boston, MA. For more information visit [www.rimmkaufman.com](http://www.rimmkaufman.com) or follow the company on Twitter @rimmkaufman.

## 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.



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