



iPROSPECT QUARTERLY REPORT:

Paid Search Trends

2013/2014 Year-over-Year

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Driving Digital **Performance**

Introduction

From 2013 to 2014, we saw paid search impressions decrease while click-through-rates (CTRs) and cost-per-click (CPC) increased. Mobile paid search played a deeply influential role in these trends, foreshadowing bigger things to come for the channel in 2015 and beyond.

The following trends and insights are based on an analysis of the data from more than 1,250 Google AdWords accounts. All of these accounts are managed by iProspect U.S. (though the spend is not confined to just U.S. markets), and together they represent more than 135,000 active campaigns.

This report provides an overview of the trends and corresponding opportunities relevant for brands taking a strategic, performance focused approach to paid search marketing.



Reviewing Overarching Trends - A Look at Primary KPIs

Impressions Down – Click-Through Rates Up

Across all verticals, YoY impressions for 2014 vs. 2013 are down (-9%) and clicks are up (+9%), resulting in a CTR increase of 20%.

These trends were amplified in the Q4 selling season: impressions down 20% and clicks flat (+2%) resulting in a CTR increase of 28%.

Better retailer preparation for a shorter holiday selling season was a contributing factor to the more pronounced Q4 variances. Though 2013's short season

led to a bit of scrambling, retailers were more proactive in addressing 2014's similarly abbreviated holiday window.

Overall, the improved CTR speaks to the efficacy of our performance-based optimization strategies. By using features such as RLSA (Remarketing Lists for Search Ads), Enhanced Campaigns bid modifiers, and careful negative targeting, we are able to help our clients focus their ads more effectively and greatly reduce the number of less qualified ad impressions.

Cost-per-Click (CPC) Up

The corresponding CPC for these campaigns is up YoY. For 2014 overall, CPC is up 14% while Q4 data reflects a more substantial increase of 21%.

These higher-than-industry average figures are reflective of iProspect's performance-based approach

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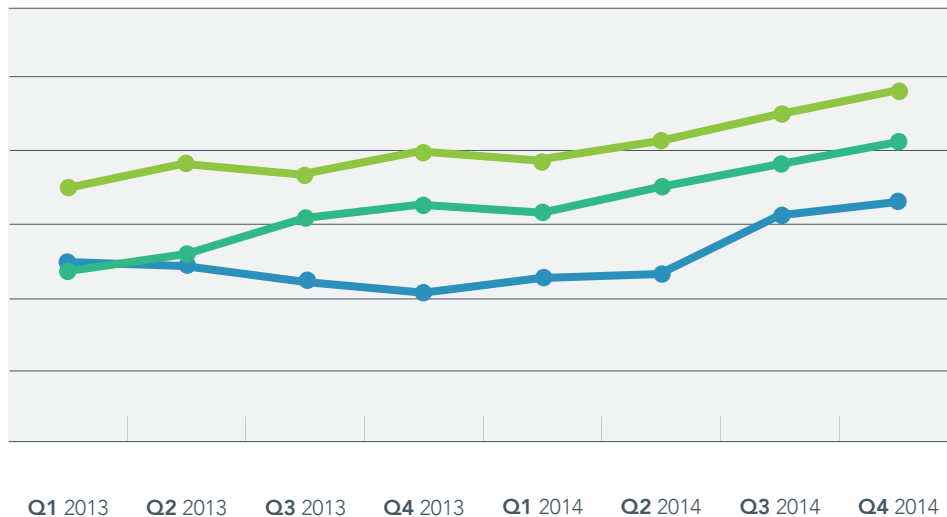
to paid search. Every single iProspect client is managed to hit a performance goal (ROI, CPA, cost per qualified visitor, etc), and our granular approach to account structure and audience segmentation in paid search allows us to prioritize higher-quality traffic that drives a higher conversion rate and delivers that goal KPI, even when that results in a higher CPC.

Also worth noting – device-specific CPCs are continuing to converge. Tablet CPCs are almost on par with desktop CPCs and the gap is closing between CPCs for those devices and for mobile.

Key:

● Computers ● Mobile ● Tablets

iPROSPECT US GOOGLE ADWORDS SEARCH OVERALL CPC BY DEVICE



Taking a Closer Look - Areas of Special Interest

Mobile

Mobile paid search saw huge, overall YoY spikes with impressions up 43% and clicks up 68%. For the first time, Q4 2014 saw mobile impressions exceed tablet impressions. An increase in mobile search activity is partly responsible, but equally important is the strong toolset now available to advertisers for managing and measuring mobile campaigns.

Our clients' success with mobile paid search is due in great part to our careful consideration and utilization of mobile ad extensions, proactively using Google's

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Estimated Total Conversions in a structured fashion to optimize mobile bid modifiers, and analyzing online-to-in-store traffic and conversions.

Along with better measurement features and higher performance, there is a corresponding YoY increase in mobile CPC which is up 26% overall and 67% for Q4.

Not too long ago, brands were expected to simply believe in the potential of mobile search. Today, we have the tools and the numbers to measure performance, and the story we've uncovered is a compelling one.

Google Product Listing Ads (PLAs)

Google PLAs, which account for nearly 15% of iProspect's AdWords spend, saw massive shifts in 2014. YoY data shows impressions up 130% and clicks up 90%. The corresponding CPC is up 19% overall and

+50% for Q4. Over the past several years, this paid ad format has grown aggressively, and Google has sought to maintain that growth by expanding the types of queries that trigger Google PLAs. While this strategy succeeds at increasing impressions, in some cases it trades relevance for scale, reducing performance.

This higher volume combined with the increased competition means that Google PLAs no longer provide the easy, almost guaranteed win they once did. There are still, however, strong opportunities. Mobile, for example, saw astronomical Q4 growth in Google PLAs with an impressive 453% increase in impressions and 348% increase in clicks. Overall, 36% of total Q4 Google PLA clicks came from mobile.

Clearly, there is still plenty of upside for brands willing to take a more strategic approach.

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Verticals

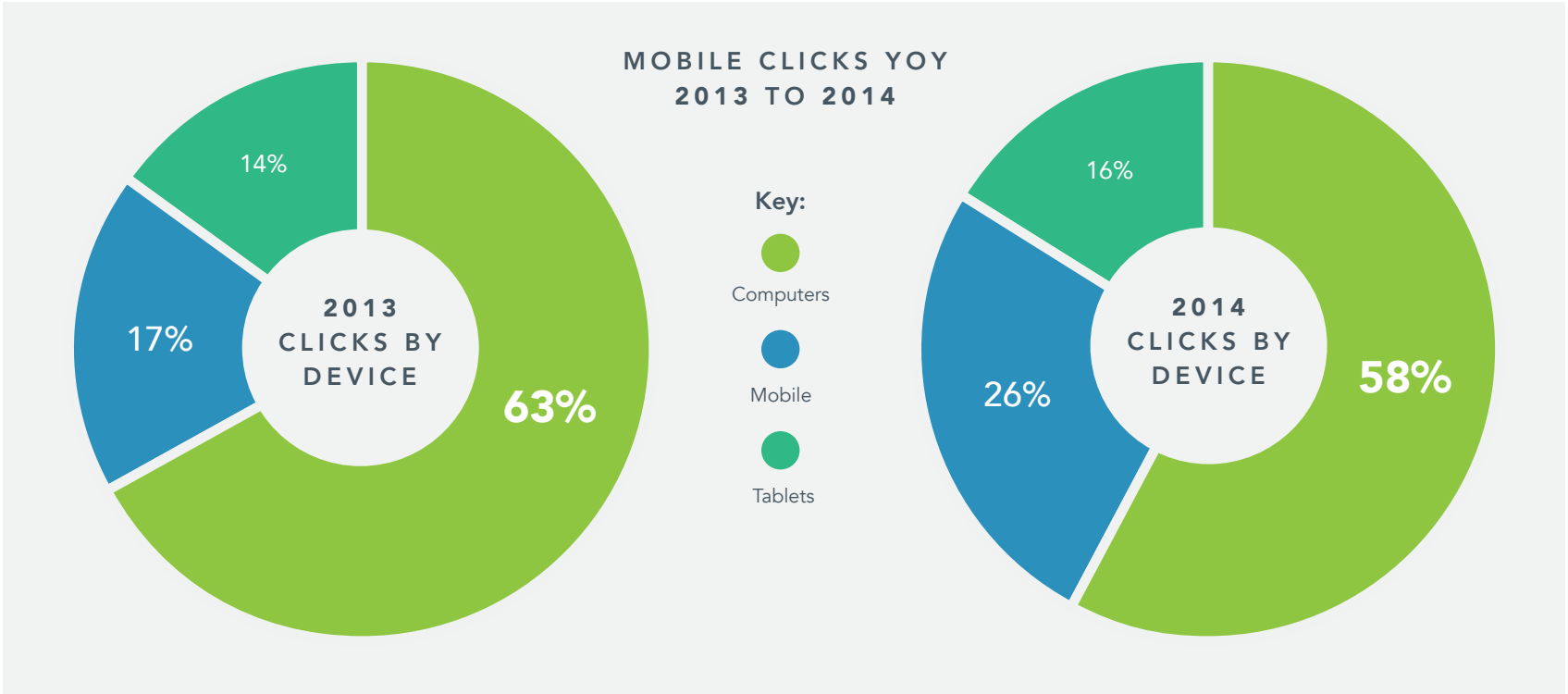
In addition to overall trends, we took a closer look at Q4 performance for three key verticals:

Retail (including Google PLAs):

Similar to overall, retailers saw fewer impressions (-14%) and more clicks (+10%) resulting in a 28% higher CTR. Growth was driven by mobile which made up more than 30% of overall retail traffic and showed a 57% increase in clicks. Overall, retail CPC was up 21%, while mobile CPC for the retail category doubled (a leap that we attribute to more effective management and measurement features that help clearly illustrate the value of mobile).

Consumer Electronics:

Consumer electronics followed a similar pattern, but with more significant swings: impressions down 30%,



clicks up 10%, leading to a 58% increase in CTR. The corresponding increase in CPC was less dramatic – only 10%. Mobile showed a higher but still modest CPC increase of only 30%, indicating that there may be some untapped mobile potential for this category.

Travel:

While Google's Hotel Price Ads (HPA) continue to gain traction, YoY performance in this category has varied greatly due to Google's experimentation with the SERP formatting and structure. Google's recent elimination of the Carousel in favor of the new "three-pack" listing has re-emphasized the value of paid search listings for this vertical.

Travel is one of the few verticals that experienced a YoY Q4 decrease in clicks (-13%), but since impressions were also down more than other categories, the resulting CTR was actually up 72%. Q4 CPCs were only

up slightly YoY (13%), but it's worth noting that, for this vertical, tablet and desktop CPCs are now almost equal having hit a point of convergence that other verticals have yet to reach.

Predicting What's Next - A Look at 2015

Q4 YoY data proved that mobile is clearly a space to watch in the year ahead.

Q4 YOY CHANGE	IMPRESSIONS	CLICKS	COST	CPC	CTR
TOTAL	-20%	2%	24%	21%	28%
Computers	-27%	-11%	5%	18%	21%
Mobile devices with full browsers	41%	46%	144%	67%	4%
Tablets with full browsers	-20%	-1%	22%	23%	24%

While we predict that in 2015 search (as a whole) will cross the “mobile tipping point” (with the number of mobile queries exceeding those made via desktops or tablets), we don’t expect to see the same shift for paid search until 2016. In the interim, there remains a lot of untapped growth potential in mobile.

But, tapping that potential will require strong strategy and smart investment. The era of cheap mobile clicks is coming to an end. While Google’s Enhanced Campaigns were, in part, designed to level the gap between mobile and desktop CPCs, the situation is less about how bidding is managed and more about brands understanding the value of mobile through smarter campaign management and performance measurement. It’s about getting a handle on cross-device conversions and other omni-channel concepts.

The other big trend to watch in 2015 is the increased

ability of paid search marketers to leverage secondary signals (in addition to the declared intent of a keyword) to target and customize their marketing message. Personalization based on location and device is available, but many marketers have yet to take full advantage of this functionality due to lack of knowledge of these features and the value they bring. For instance, RLSA is an incredibly effective feature, but requires a strategic approach in order to deliver the most value.

Paid search in 2015 will be less about purely tactical delivery and more about high-level strategy and brand experience. Paid search performance will ultimately be shaped by our growing ability as digital marketers to deliver value through relevance.

Search is a conversation, and our ability to market effectively hinges on our ability to listen to and

understand all aspects of each individual’s questions and needs in the moment so that we can provide personalized answers—and then manage this personalization at scale.

If you’d like to learn more about our data, the strategies behind it, or the performance those strategies delivered, we’d love to hear from you.

About the Data:

- Based on Google AdWords data
- Includes search and Google PLAs
- Does not include YouTube or the Google Display Network

About iProspect

iProspect is a global, award-winning marketing agency that drives digital performance for many of the world's largest brands. A trusted partner with an in-depth understanding of consumer behavior, iProspect reshapes brand strategies to meet the fast-paced demands of the convergent world with a focus on exceeding the client's business objectives. iProspect delivers personal, adaptive and valuable digital experiences utilizing proprietary solutions including: paid and natural search, content generation, data and insights, social media management, structured data and feeds, performance display, conversion optimization and affiliates.

Partnering with clients such as General Motors, adidas, Neiman Marcus, Container Store, Hilton Worldwide, The Gap, and many others, iProspect has been named the "Best Agency for Performance Marketing" by iMedia, and represents more retailers on Internet Retailer's Top 500 List than any other agency.

iProspect is the first truly global digital performance marketing agency, with **2,500+** employees in **71** offices across **50** countries. For more information, visit us online at www.iprospect.com or follow us on Twitter @iProspect.



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About the Author

Jeremy Hull, Director of Bought Media

Jeremy keeps iProspect's bought media teams on the forefront of new technology and industry developments. A passionate champion for digital advertisers, he strategically gains clients placements in alpha and beta tests with search, display media, and tracking partners and gives insightful analysis.

The search engines rely on Jeremy's insightful analysis and feedback to improve new developments like Google's Enhanced Campaigns and Remarketing Lists for Search Ads (RLSA). He provides paid search strategy for all iProspect teams in the United States, and also collaborates with iProspect offices around the globe.





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