



**RKG**

**Digital Marketing Report**  
▶ Q4 2012

# Table of Contents

---

- 3 Executive Summary
- 4 Holiday Trends
- 5 Paid Search Marketing
- 11 Organic Search & Social
- 15 Comparison Shopping Engines
- 17 Attribution
- 19 About RKG & Methodology

# Executive Summary

## Paid Search Marketing

- ▶ **Google paid search spending rose 19% Y/Y** in Q4, a slight deceleration for our sample, but in line with Google's official Q3 revenue growth. **Ad clicks rose 14%, CPCs rose 3%.**
- ▶ **Bing search spending rose 54% on 39% higher clicks and 11% higher CPCs.** Bing faced weak 2011 comps and had made strides throughout 2012 to improve its once restrictive ad serving logic.
- ▶ **Mobile drove 20% of paid clicks and 15% of paid search spend** in Q4. Mobile CPCs edged up relative to desktop and tablet spending increased 189% Y/Y, outpacing smartphone spending for the seventh quarter in a row. Tablet clicks outpaced smartphone clicks for the fourth quarter in a row.
- ▶ The **iPad's share of tablet traffic slipped to 84%** by the end of Q4. Kindle Fire models held a 5% share, but delivered a 54% lower ROI than iPad. Windows 8 tablets failed to gain traction.
- ▶ **Google Product Listing Ads generated 28% of Google non-brand clicks** in Q4. PLA CPCs remained 26% lower than CPCs for competitive text ads.

## Organic Search & Social

- ▶ **iOS 6 defaulting to secure search resulted in 10% of organic search traffic being seen as direct** by analytics packages. 81% of iOS 6 visits did not pass a referrer.
- ▶ **Nearly 20% of organic search and direct visits were mobile** in Q4. iPad delivered 7.3% of visits, followed by the iPhone at 6.7% and Android devices at 5.2%.
- ▶ **CPMs for the Facebook Exchange were less than half those of the average display ad.** Revenue Per Click was 25% higher.

## Comparison Shopping Engines

- ▶ **Comparison Shopping spending increased 14% Y/Y in Q4**, excluding costs associated with Google PLAs.
- ▶ **Amazon Product Ads commanded 25% of CSE spend** and were the largest traffic driver among paid engines.

## Attribution

- ▶ **Shoppers had an average of 4.3 marketing touches per order in Q4**, up from 3.5 in Q3. At the same time, however, 75% of orders involved touches from just a single channel.

# Holiday Trends

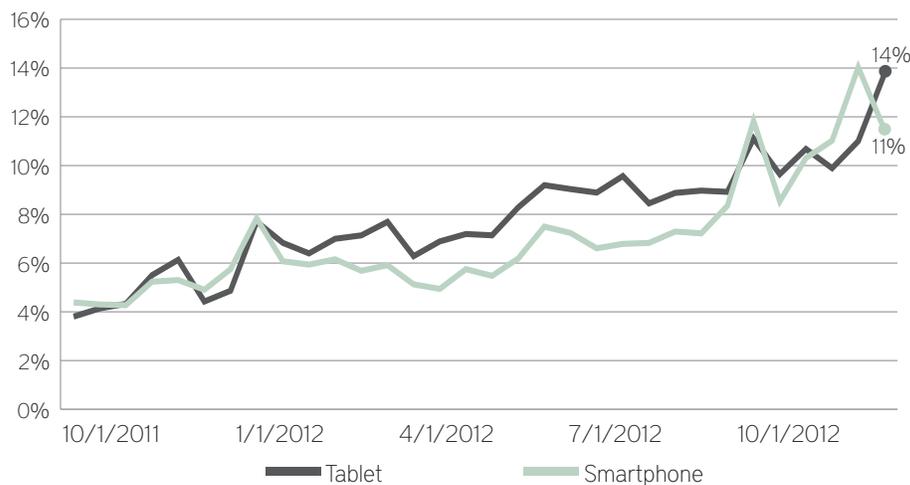
## Strong Start and Finish to the Holiday Season



## Y/Y Paid Search Revenue Growth by Week

► Holiday revenue growth proved very spiky in 2012 as changing consumer behavior and an extended post-Thanksgiving shopping period weighed heavily on Y/Y performance stats. After a fairly slow start to Q4, revenue growth accelerated around the long Black Friday/Cyber Monday weekend as shoppers once again shifted their spending to earlier in the season to take advantage of strong holiday promotions. Growth eased up in early December before spiking to nearly 50% in the final week before Christmas.

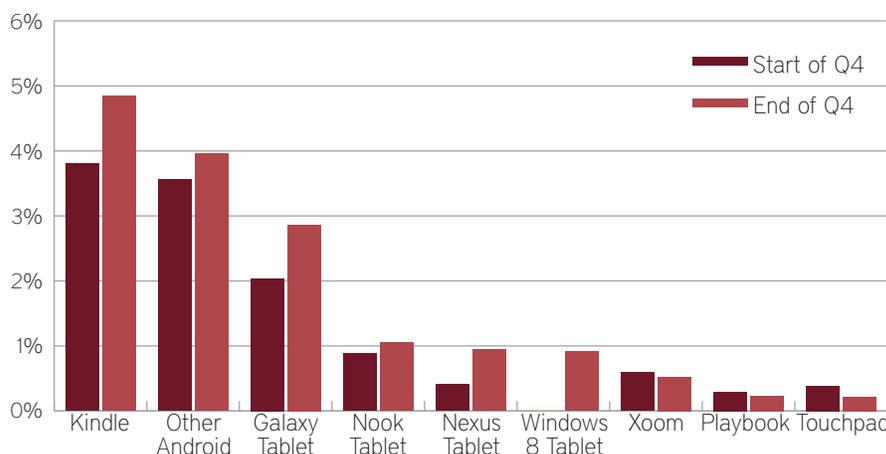
## Mobile Roughly a Quarter of Search Traffic Around Thanksgiving and Christmas



## Mobile Paid Search Traffic Share

► As we saw in 2011 as well, mobile traffic showed two clear peaks during the 2012 holiday season: the first around Black Friday and another just following Christmas. If early 2012 results are predictive, we should expect to see tablets and smartphones preserve most of those share gains in early 2013.

## iPad Competitors Take Tablet Share Over Q4



## Tablet Share Change Over Q4

► Over the course of the fourth quarter, the iPad saw its share of tablet traffic slip from 88% to just over 84%. Kindle Fire models took the greatest slice of traffic from the iPad with their share increasing from just under 4% to just under 5%. Touch-compatible Windows 8 devices, including the Surface, ended the quarter with a share of just under 1%.

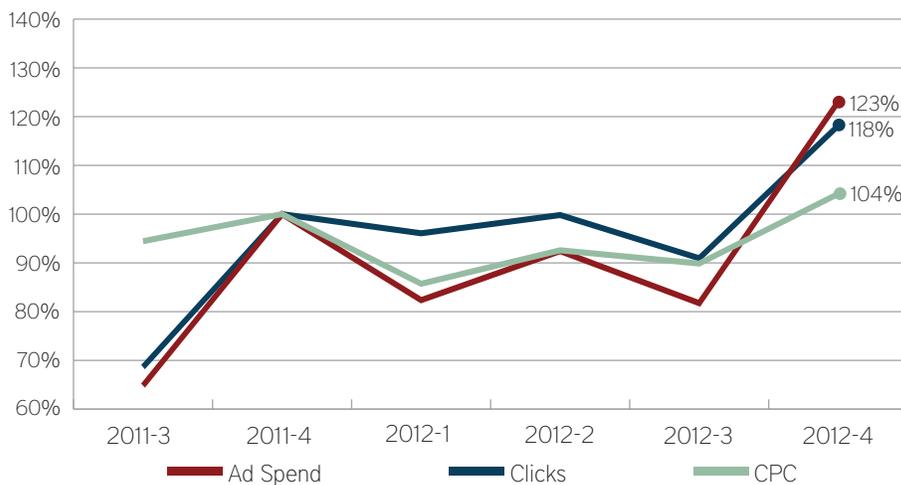
# Paid Search Marketing

Paid search growth trends in 2012 were largely dictated by how same-site comps from 2011 changed throughout the year. In late 2011, large increases in click-through rates and added volume from Google's PLA format pushed click growth to nearly unprecedented levels, while CPCs began to decline.

As we hit late 2011 comps, spending growth slowed to levels that have been more typical historically, while CPCs began to rebound.

*Note: The figures below and others throughout this report are normalized such that Q4 2011 = 100%.*

## Paid Search Spending Shows Smaller Deceleration in Y/Y Growth, CPCs Rise



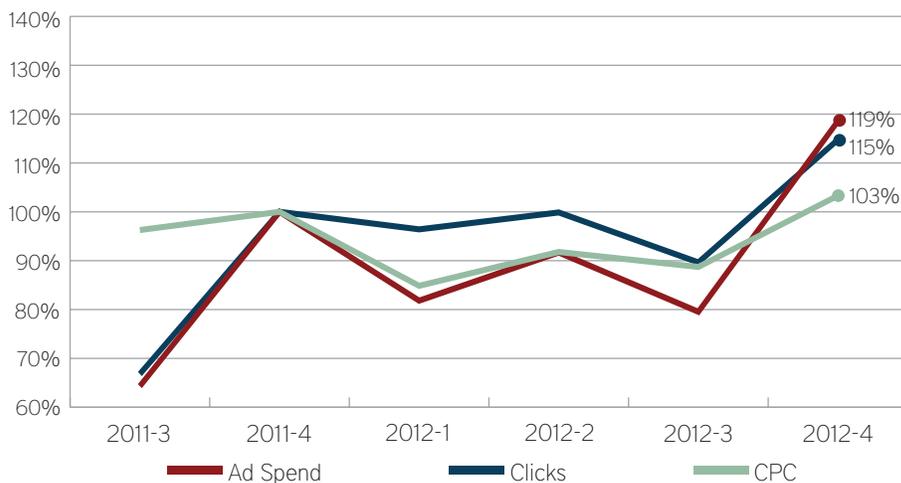
### Overall Trends

▶ Paid search spending rose 23% year over year in Q4 on an 18% increase in traffic and 4% increase in CPC. This was a slight deceleration from Q3 volume growth, while average CPC rebounded from a 5% decline in Q3.

As the dominant search engine for our client base, Google trends closely with the overall paid search figures above. However, as its comps have gotten progressively stronger and those for Bing Ads have remained relatively weak, Google's volume growth is running slightly behind the overall figures.

For this report, we are including all traffic from the Product Listing Ads format, which now powers Google Shopping. We estimate that the majority of PLA clicks occur on the main Google SERP, so PLA data is best grouped with the paid search results here.

## Facing Tough Comps, Google Spend Rises 19%

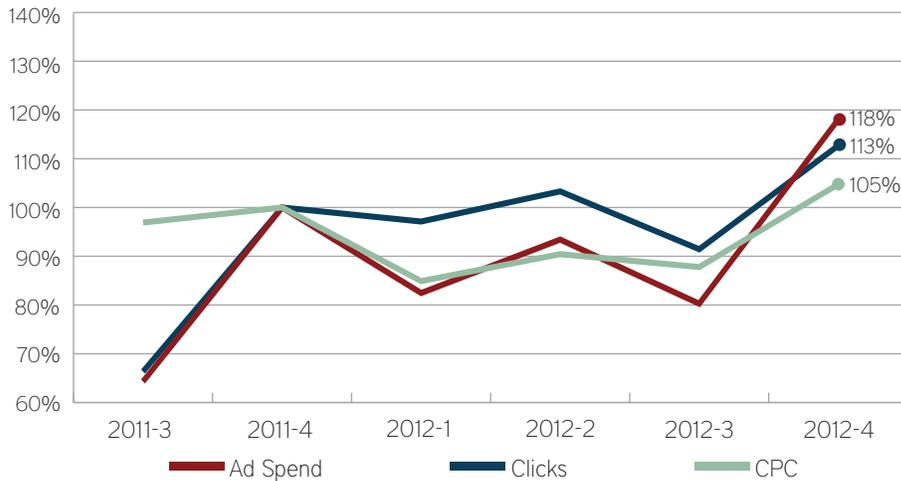


### Google Overall Trends

▶ Including PLAs, paid search spending rose 19% Y/Y on Google Q4. Click volume rose 15% and CPCs increased 3%.

# Paid Search Marketing

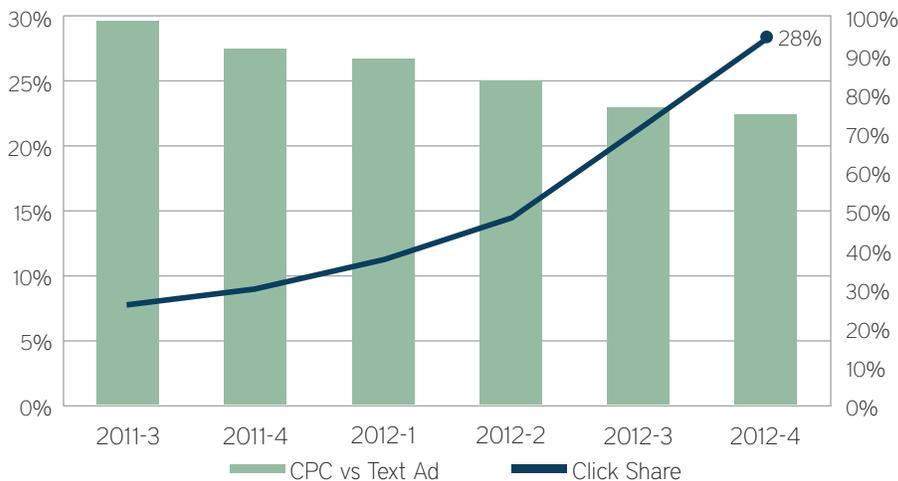
## Google Non-Brand CPCs Rebound to a 5% Increase



### Google Non-Brand Trends

▶ Excluding brand traffic, Google spending was 18% higher on a 13% increase in clicks and a 5% increase in CPC.

## PLAs Driving Bulk of Google Paid Click Growth, CPCs Remain Low



### Google Product Listing Ads

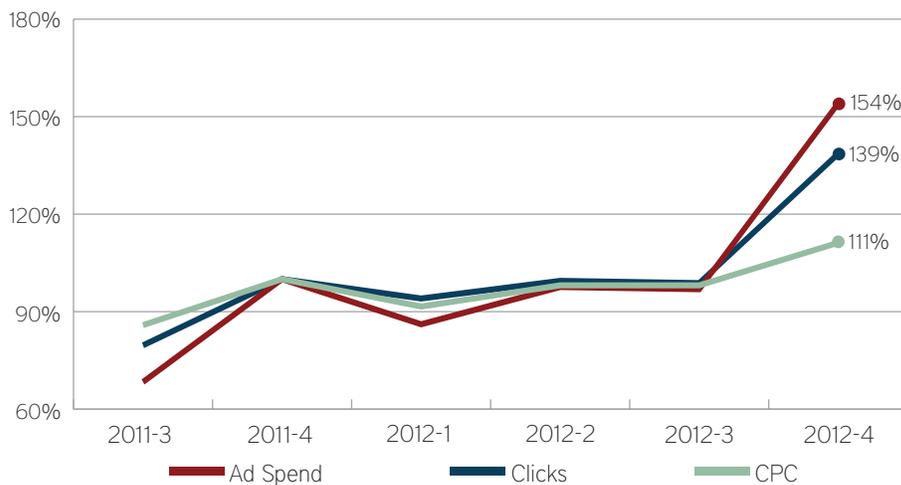
▶ Bolstered by previously free Google Shopping traffic, PLA share of competitive search clicks rose to 28% in Q4. CPCs were 26% lower than those for non-brand text ads. RKG research shows a larger than average gap between bids and CPCs paid for PLAs, suggesting competition still remains relative light for the newer format.

# Paid Search Marketing

Since their Search Alliance in late 2010, Bing and Yahoo have struggled to grow their paid search revenues at anywhere near the rates Google has enjoyed over the same period. In late 2012 though, Bing Ads finally seemed to be hitting its stride. Bing's expanded ad matching capabilities are now delivering quality traffic to advertisers at much greater rates, as we'll see below.

At the same time, Microsoft's ongoing efforts to bring Bing Ads' core functionality more in line with Google's AdWords have made it easier to manage both programs optimally and should reduce barriers to entry for smaller advertisers.

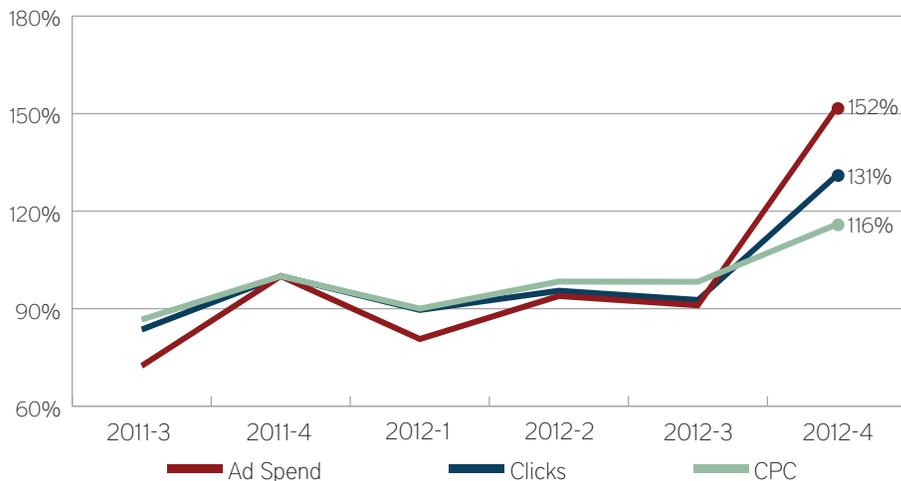
## Bing Spending Up 54% Following Negative Growth in 2011



### Bing & Yahoo Overall Trends

► Weak comps, which showed negative growth in Q4 2011, and behind-the-scenes improvements helped Bing Ads achieve spending growth of 54% in Q4 2012. Click volume increased 39% and CPCs rose 11%.

## Bing Non-Brand Click Growth Jumps from 11% in Q3 to 31% in Q4

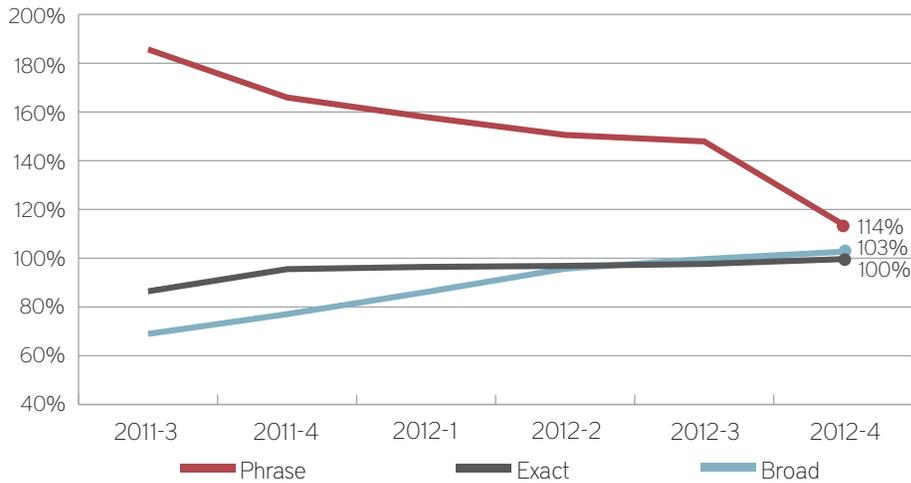


### Bing & Yahoo Non-Brand Trends

► Bing non-brand spend rose 52% Y/Y on a 31% increase in clicks and a 16% increase in CPC.

# Paid Search Marketing

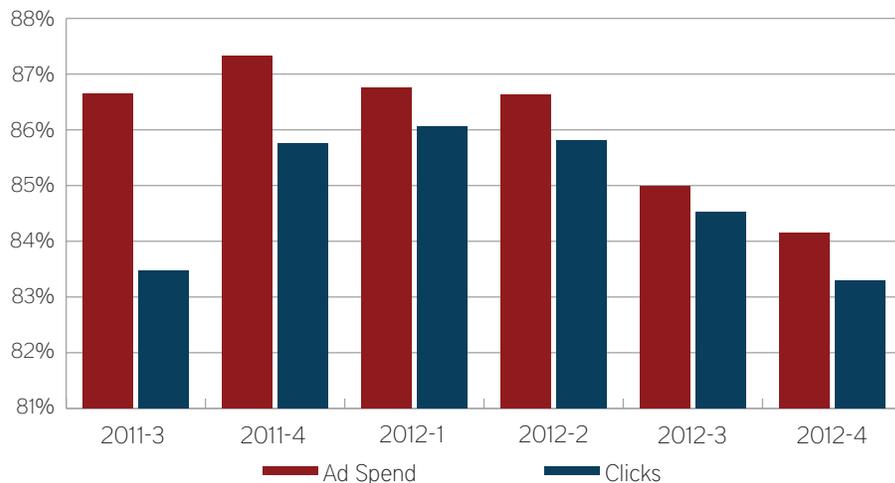
## Bing Reaching Parity with Google in Traffic by Match Type



### Bing vs Google: Share of Non-Brand Clicks by Match Type

► Over the past year, Bing Ads has significantly expanded its broad matching capabilities. In Q4 2012, a slightly higher percentage of clicks on Bing and Yahoo were from broad matched ads compared to Google.

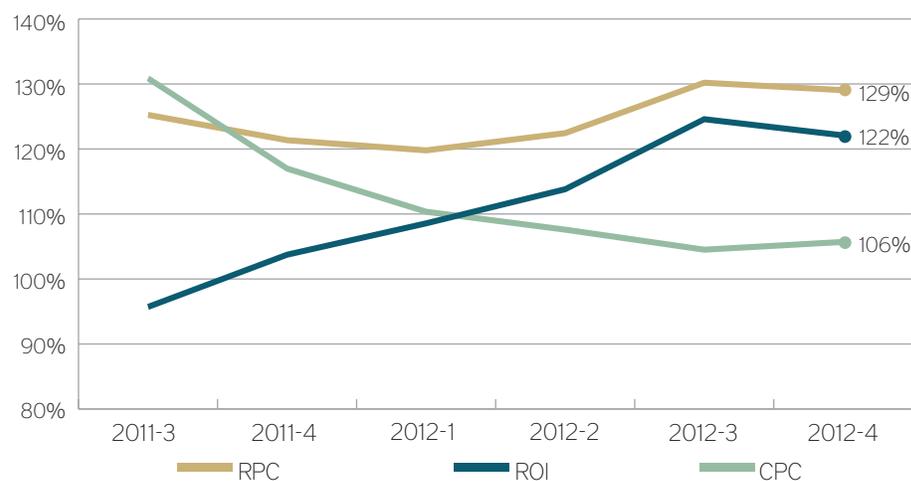
## Google Losing Spend and Click Share to Bing



### Google Share of Paid Search

► For the fourth quarter in a row, Bing Ads gained paid search spend share from Google. In Q4, Google commanded 83% of clicks and 84% of spend.

## PLAs Drive Google ROI Up Significantly Compared to Bing

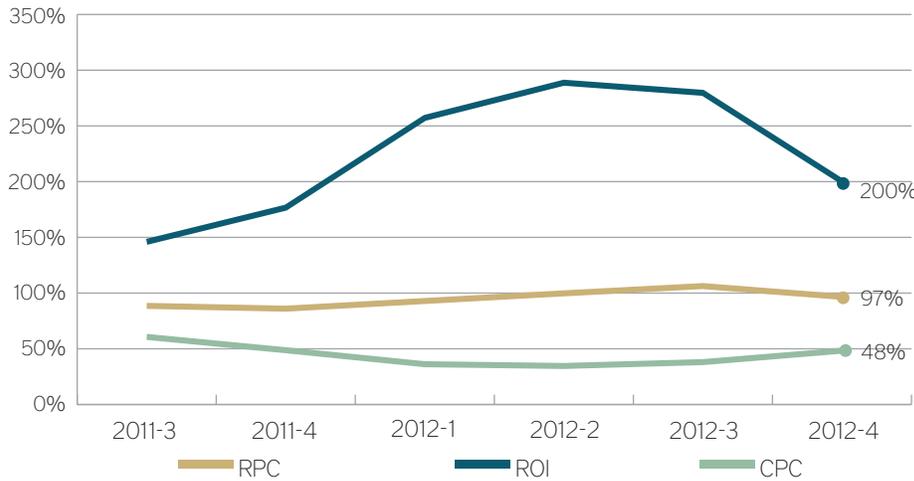


### Google vs Bing: Non-Brand Trends

► As Google CPCs have declined overall and compared to Bing, the non-brand ROI for Google now stands 22% higher than that for Bing. PLAs are a significant contributor to these trends.

# Paid Search Marketing

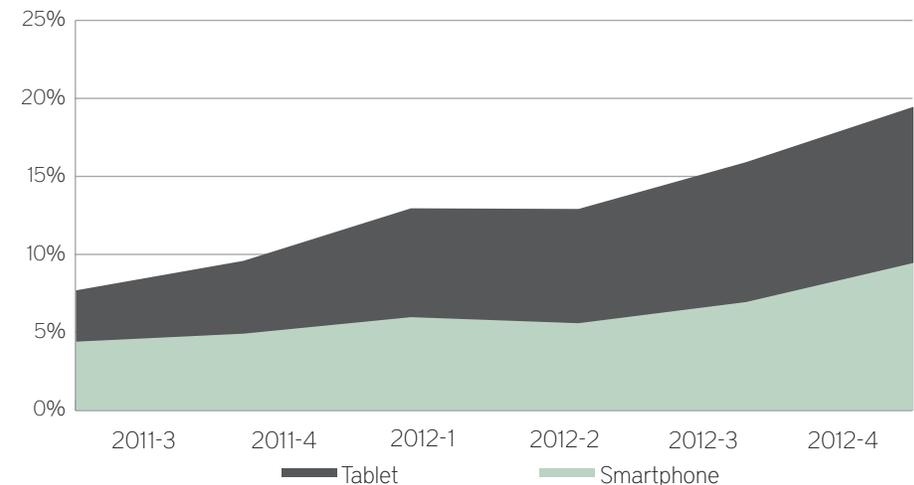
## Brand Terms Remain Far Costlier on Bing, but Gap Shrinks



### Google vs Bing: Brand Trends

▶ Following significant declines in 2011, Google brand CPCs have been on the rise, but still remain at roughly half the levels seen on Bing. With similar RPC for the two engines, brand ROI is twice as high on Google.

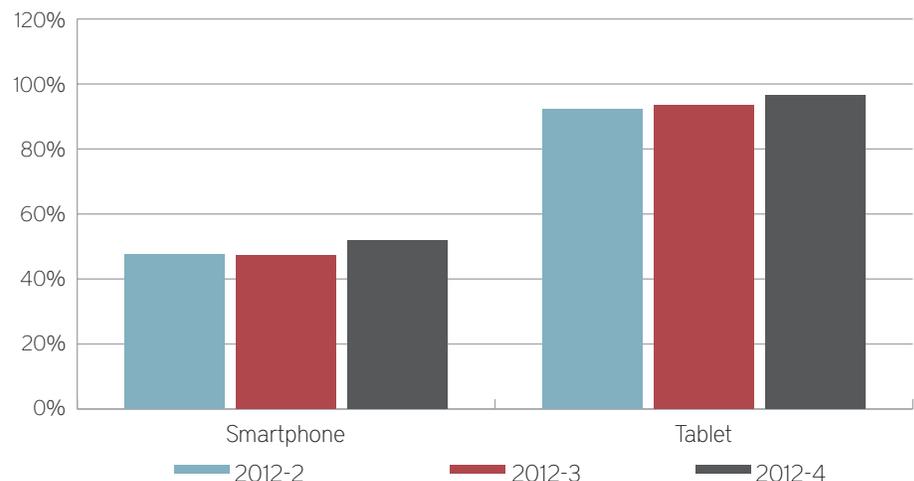
## Mobile Continues to Gain Share of Paid Search



### Mobile Share of Paid Search Clicks

▶ Tablets and smartphones combined to generate nearly 20% of paid search clicks in Q4. Tablets generated 10% of clicks, edging out smartphones at 9.5%. iOS share of mobile traffic slipped slightly from quarter to quarter, but was still a commanding 73% in Q4. iOS share of total paid clicks grew from 12% in Q3 to 14% in Q4.

## Mobile CPC Gap Closes Slightly in Late 2012

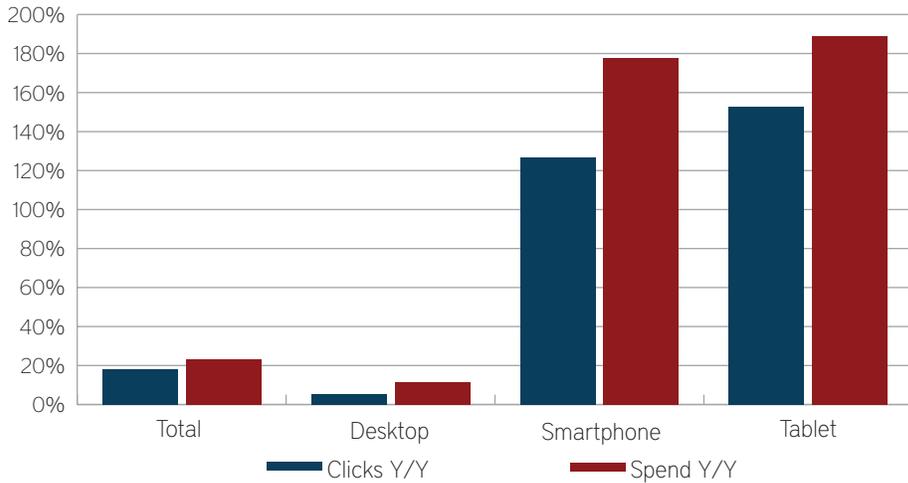


### Mobile CPC vs Desktop

▶ Over the last few quarters, CPCs for smartphones and tablets have edged up slightly relative to desktop. Average smartphone CPCs were 52% that of desktop in Q4, while tablet CPCs were 97% that of desktop.

# Paid Search Marketing

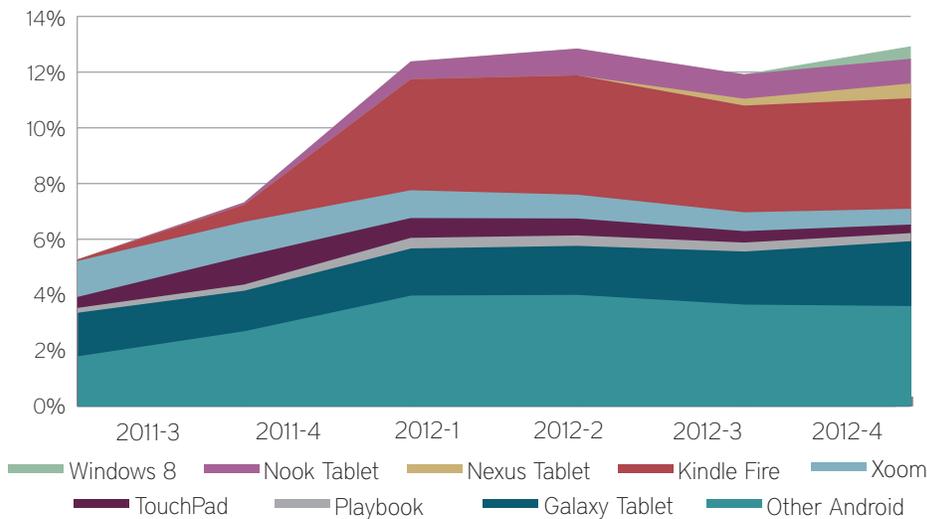
## Mobile Driving Most Traffic Gains, but Desktop Still Growing



### Q4 Y/Y Growth by Device Class

▶ Despite the shift in traffic to mobile, desktop still managed to deliver Y/Y gains in Q4. Desktop click volume rose 5% with 11% higher costs. Smartphone traffic rose 127% on 178% higher costs. Tablets made the largest gains with traffic up 152% on 189% higher costs.

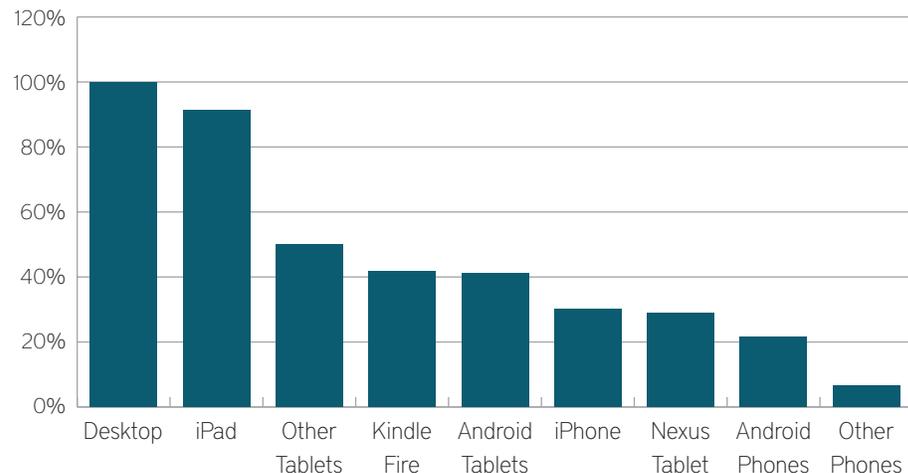
## iPad Competitors Nearly Double Their Share of Tablet Traffic



### Share of Tablet Paid Clicks for iPad Competitors

▶ While iPad competitors ended Q4 with nearly 16% of tablet traffic, for the full quarter, that figure stood at 13%. Still, that is nearly double their 7% share for the full Q4 2011.

## Advertisers Accepting Lower ROI for Mobile Devices



### Q4 Revenue Per Click by Device vs Desktop

▶ Mobile revenue per click remained well below desktop in Q4. With smartphone CPCs roughly half that of desktop and RPC roughly a quarter, advertisers have been willing to accept a lower direct response ROI to account for offline sales and cross-device purchases.

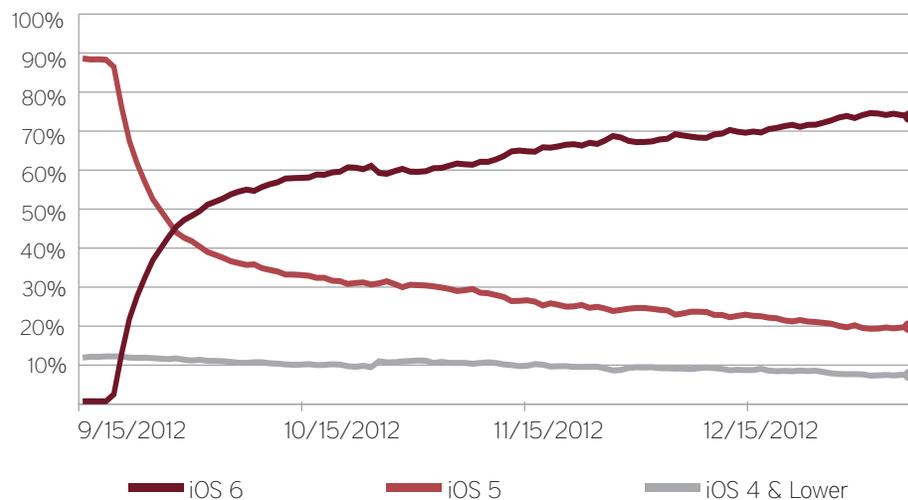
# Organic Search & Social

Already dealing with the loss of some Google query data due to secure desktop searches, SEOs faced a new and more significant analytics challenge in late 2012 when Apple moved to default its Safari search bar to Google's Secure SSL search in iOS 6.

Rather than deliver a referrer scrubbed of the search query, as it does for secure desktop searches, Google does not pass a referrer at all for secure mobile searches, and analytics packages are unable to correctly attribute secure organic search traffic to the correct channel.

For Q4, this change had the effect of reducing measured organic search traffic by approximately 10% on average, so we have worked to provide accurate estimates of the full organic picture in the following graphs.

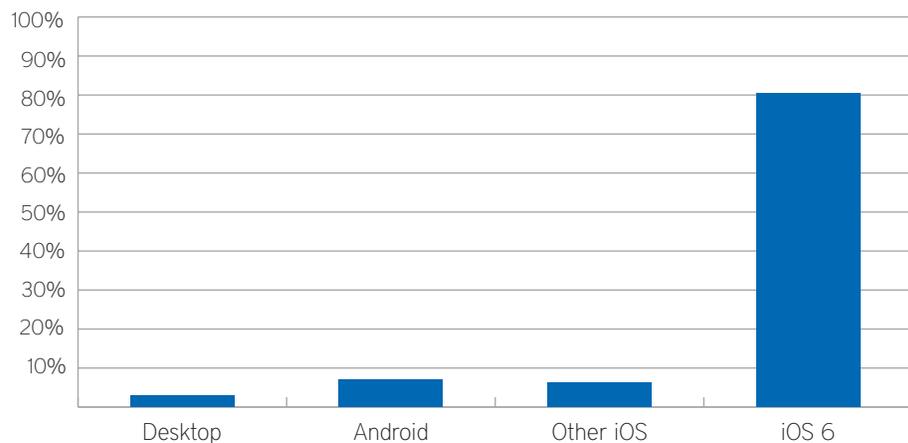
## iOS 6 Hits 74% Adoption Rate



### iOS 6 Share of iOS Traffic

► By the end of Q4, iOS 6 accounted for 74% of Google paid search visits from all iOS devices.

## Vast Majority of iOS 6 Searches Cannot be Properly Attributed

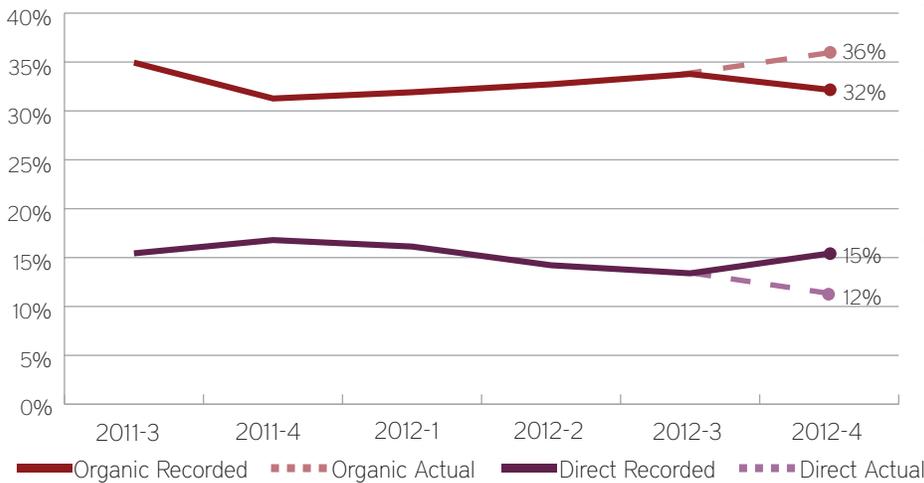


### Share of Google Traffic Missing Referrer by OS

► Meanwhile, 81% of iOS 6 paid search clicks from Google did not pass a referrer in Q4. If these were organic search clicks, they would be seen as direct site visits.

# Organic Search & Social

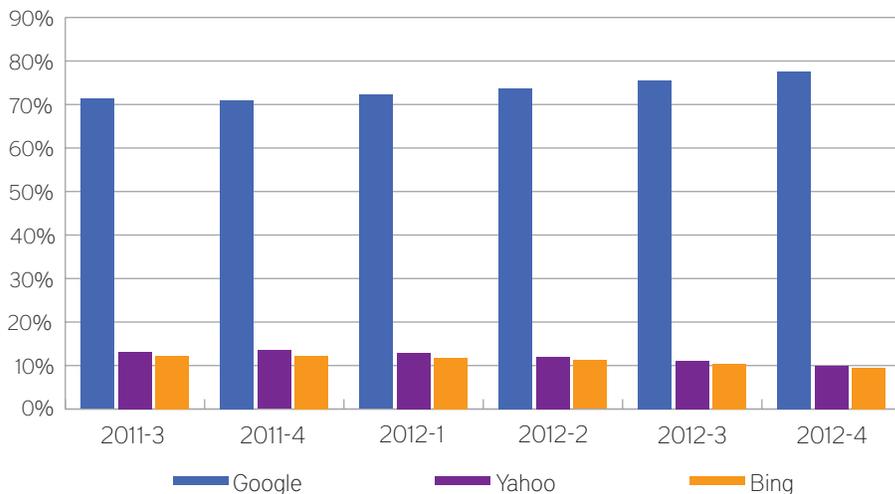
## Organic Search Volume Only Appears to Fall Due to iOS 6 Issue



### Visit Share by Channel - Organic vs Direct

► Before accounting for the impact of iOS 6, average Organic Search traffic share fell from 34% in Q3 to 32% in Q4. Factoring in iOS 6 estimates gives a share of 36% in Q4 for a 4% swing.

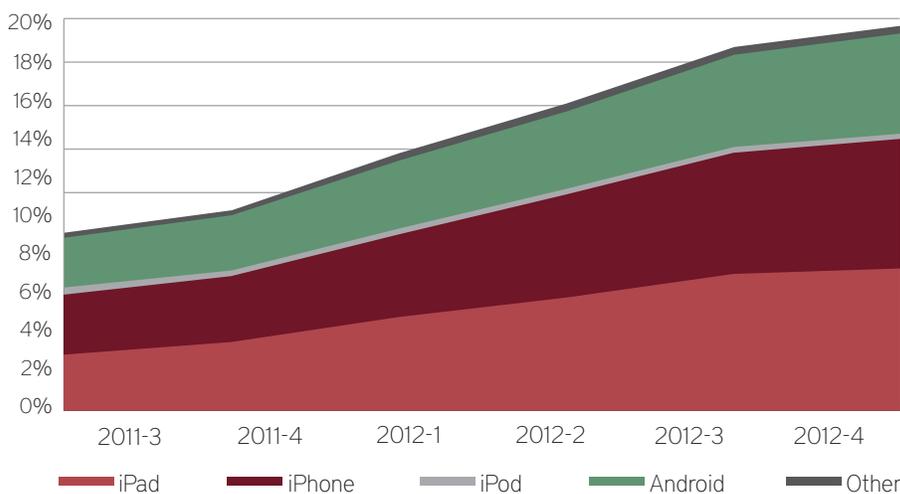
## Bing and Yahoo Neck and Neck in Organic Share, Far Outpaced by Google



### Organic Search Visit Share by Engine

► Including estimates for hidden iOS 6 traffic, Google's share of organic search traffic edged up from 76% in Q3 to 78% in Q4. Bing and Yahoo both held 10% share in Q4.

## 20% of Search and Direct Traffic is Mobile, iOS Accounts for 14%

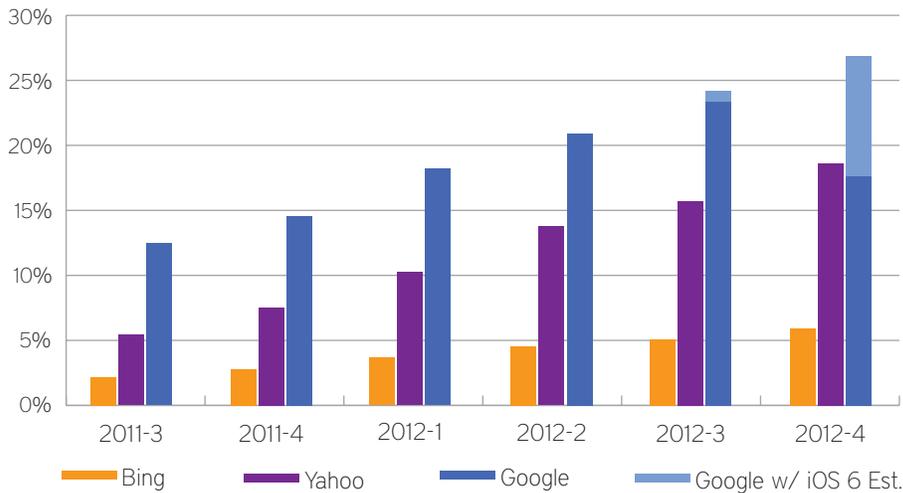


### Mobile Share of Organic & Direct Traffic

► Across organic search and direct traffic, mobile accounted for just under 20% of site visits. The iPad delivered 7.3% of visits, followed by the iPhone at 6.7% and Android devices at 5.2%.

# Organic Search & Social

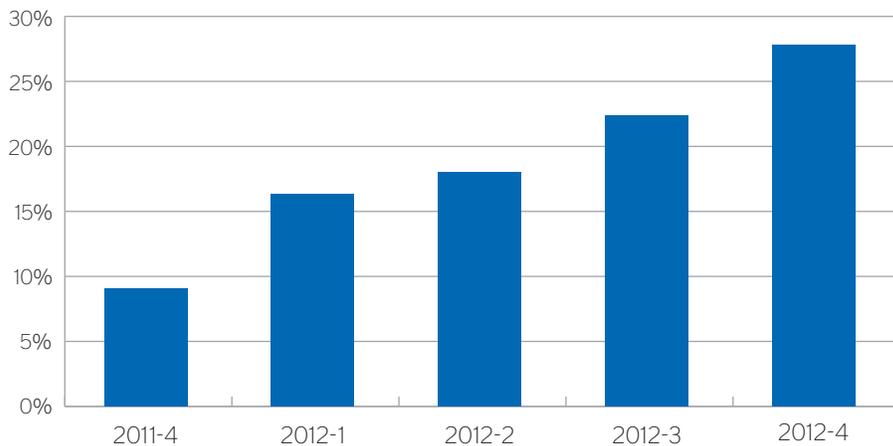
## 27% of Google Searches are Mobile, Just 6% of Bing



### Mobile Share of Organic Search by Engine

▶ Without accounting for iOS 6, Google mobile traffic share fell from 23% in Q3 to 18% in Q4. With iOS 6 estimates, Google mobile share hit 27% in Q4. Yahoo followed with 19% mobile traffic in Q4, with Bing a distant third with just 6% mobile traffic.

## Secure Desktop Search Obscures 28% of Google Queries

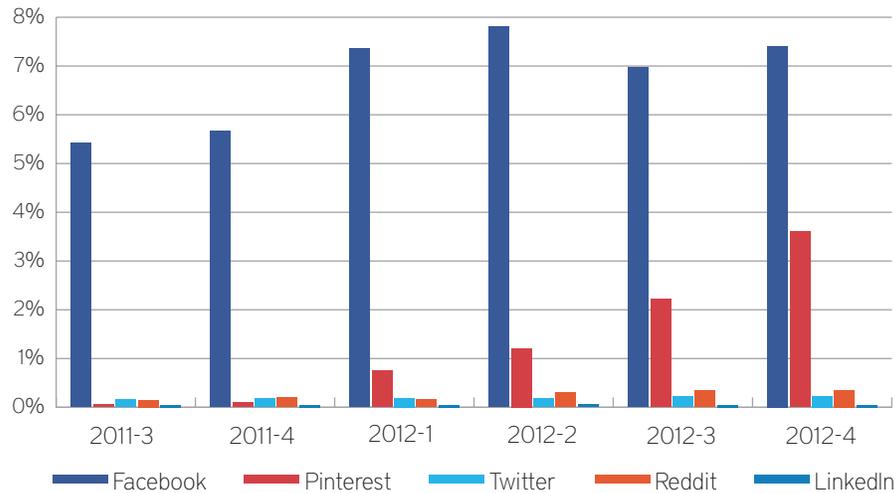


### (Not Provided) Share of Google Organic Traffic

▶ While individual sites often see a much higher share of Google organic visits where the search query is not provided, the average rate in Q4 was 28%.

# Organic Search & Social

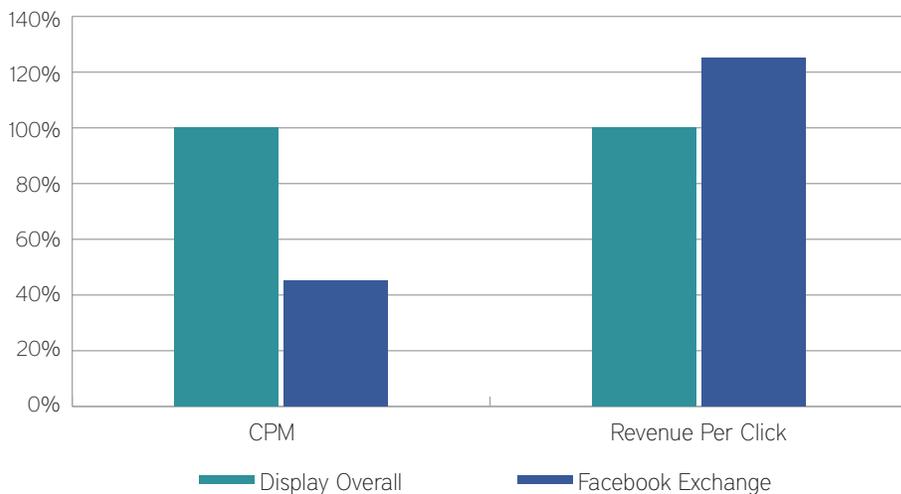
## Facebook Far Outpaces Social Rivals, but Pinterest Gaining in Referral Share



### Share of Referral Traffic for Top Social Domains

► Facebook remained the dominant source of referral traffic among social domains in Q4, delivering 7.4% of referrals. Pinterest was second with an average share of 3.6%. Differing demographics make these figures highly variable from site to site.

## Facebook Exchange vs Display Overall



### Facebook Exchange vs Display Overall

► Advertisers increasingly turned to Facebook Exchange Ads in Q4, but average CPMs on FBX were just 45% of those for display overall. With FBX revenue per click 25% higher than the average for display, competition should increase in 2013.

## Interested in learning more about SEO?

Save the date for two upcoming RKG webinars:

**Content Development** - February, 19th at 3:30pm ET

**Link Development** - March, 21st at 1pm ET

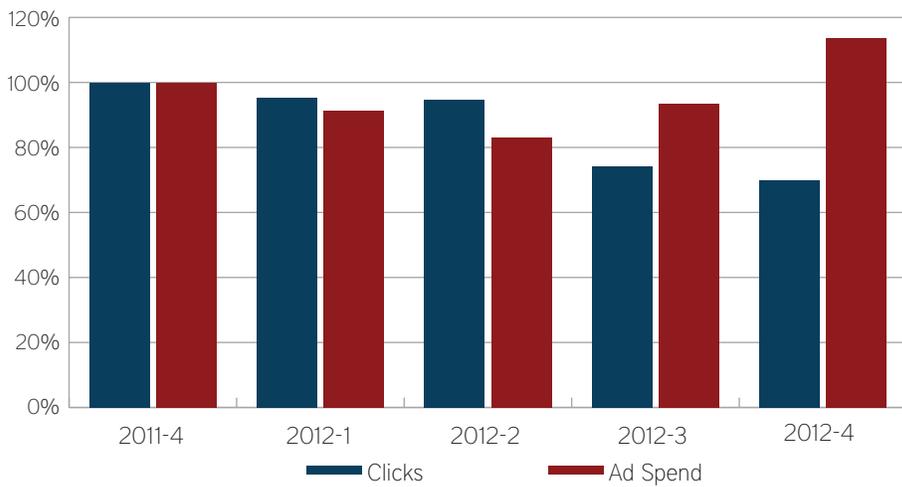
More details coming soon!

# Comparison Shopping Engines

As noted above, our research suggests that the majority of traffic from the Google PLA format comes from the main Google SERP. Because advertisers cannot distinguish Google PLA clicks that occur on the Google.com SERP from those that take place on the Google Shopping page, we have chosen to group all PLA traffic under Paid Search for the purposes of this report.

Before Google transitioned its free comparison shopping listings to a paid model, it was the single largest driver of CSE traffic for the RKG client base. With that traffic shifting over to Paid Search, we see significant changes to Comparison Shopping trends.

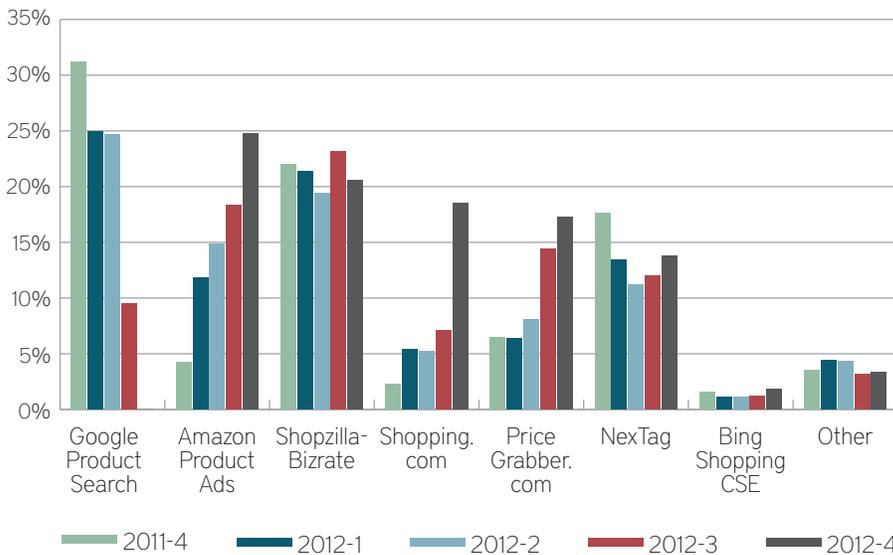
## Without Google, CSE Clicks Down, but Spending Up



Total CSE Clicks and Ad Spend

▶ With free Google Product Search clicks going by the wayside, total CSE click volume declined 30% Y/Y in Q4. But, the traditional paid CSEs showed solid growth with spend increasing 14% Y/Y.

## Amazon Continues its Ascent in Comparison Shopping

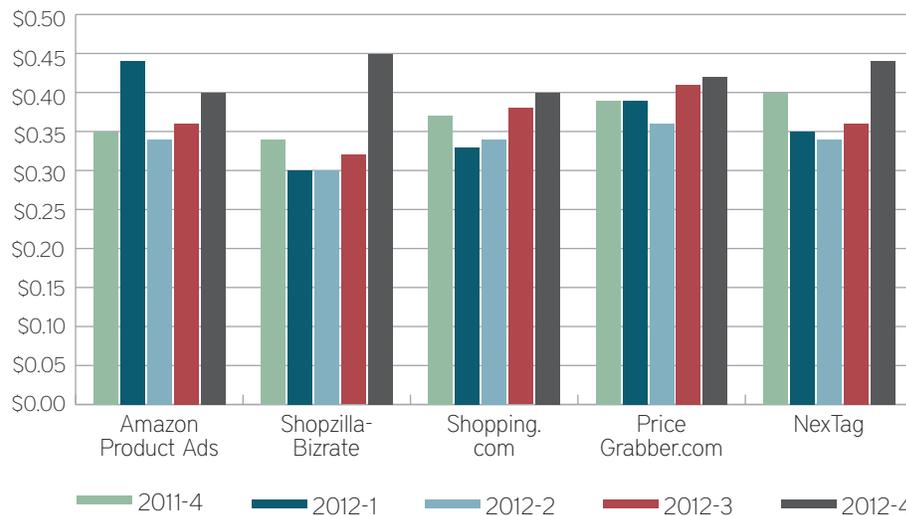


Click Share for Top Engines

▶ Amazon Product Ads were the largest traffic driver in Q4, with 25% of CSE clicks. Most CSEs made gains from Q3 to Q4, with Shopping.com showing the greatest lift.

# Comparison Shopping Engines

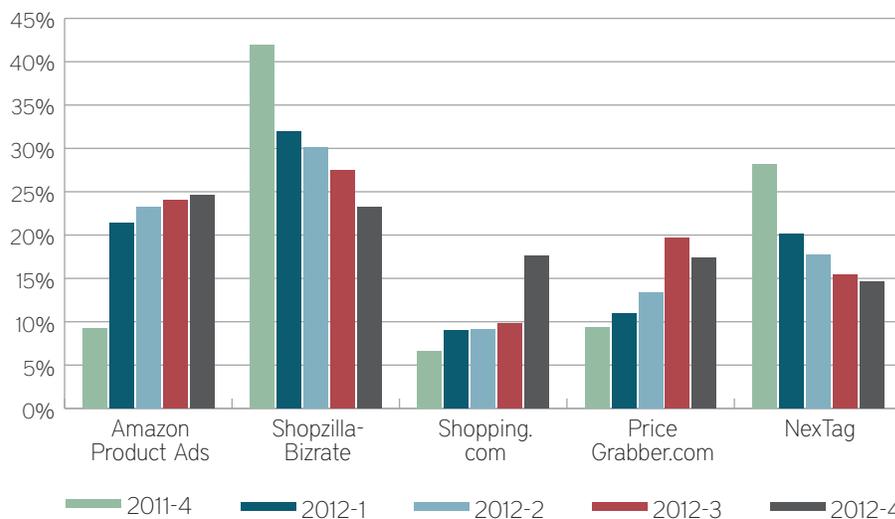
## CPCs Rise Sharply During the Holiday Season



### Cost Per Click for Top Paid Engines

► All of the paid CSEs saw an increase in CPCs from Q3 to Q4. Pricegrabber, Shopping.com and Nextag all raised their minimum CPCs for the holidays, while Shopzilla employs a Smart Bidding program that raises minimums based on higher conversion rates.

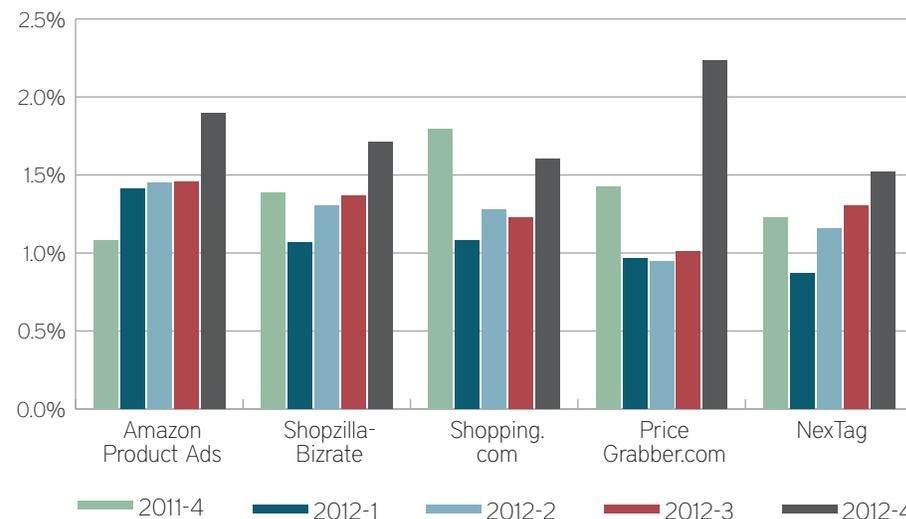
## Amazon Product Ads Becomes Top CSE in Ad Spend



### Ad Spend Share for Top Paid Engines

► Amazon Product Ads gained spend share for the fourth quarter in a row, taking the top spot from Shopzilla-Bizrate, which has seen its share decline over the same period.

## Holiday Demand Drives Conversion Rates to 2012 Highs



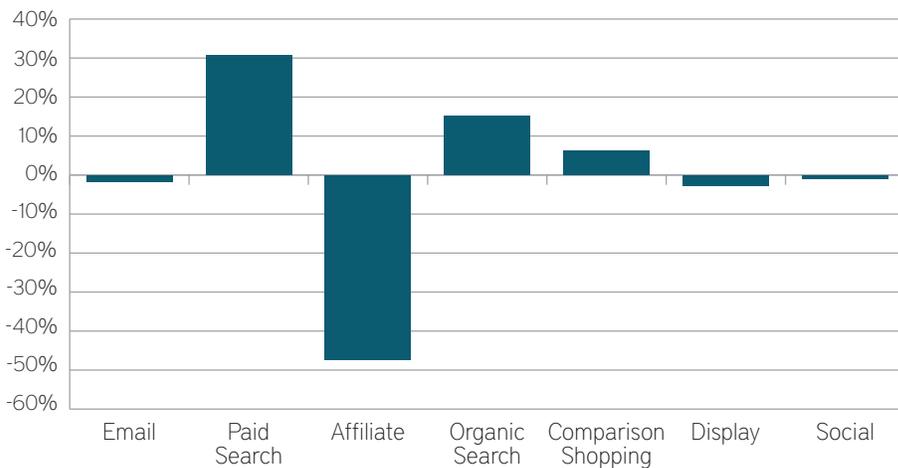
### Conversion Rate for Top Paid Engines

► All of the top paid CSEs saw conversion rates hit 2012 highs in Q4. All but Shopping.com also showed significant Y/Y improvement as well.

# Attribution

As we have in past reports, for our analysis of Q4 multi-channel attribution data, we are ignoring 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.

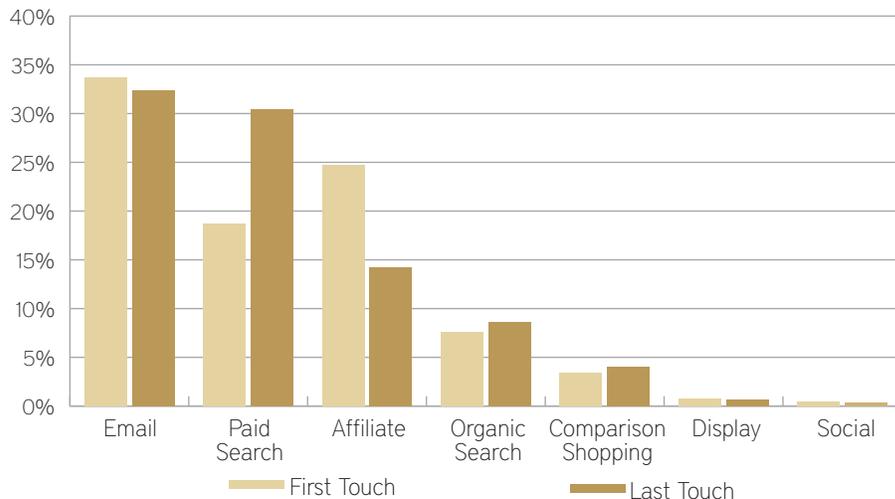
## Simple Last Touch Attribution Undervalues Search, Benefits Affiliates



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

► As we've highlighted in our previous reports, Affiliates lose the greatest percentage of revenue when moving from the more common last touch attribution model to a first touch model. Affiliates lose 47% of their credited Q4 revenue, while paid search gains 31%. Organic search is also a big gainer, while other channels show a more neutral effect.

## Social Channel Still a Minor Driver of Online Revenue for Most

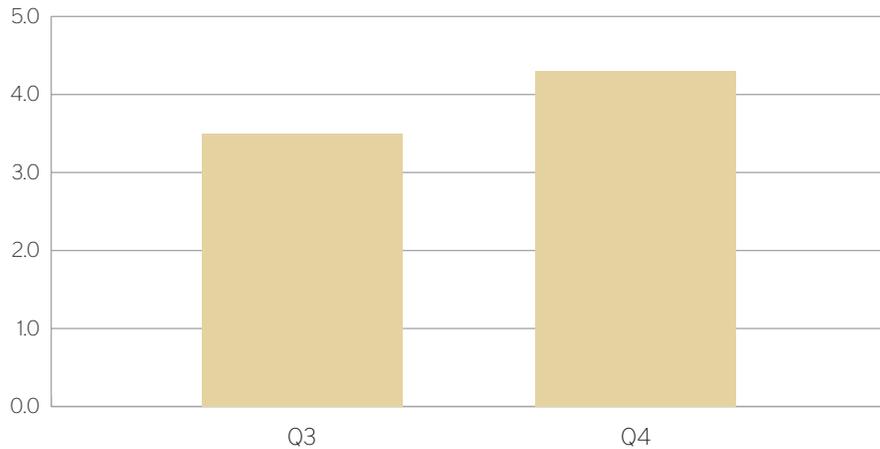


### Percent of Revenue by Marketing Channel

► Email was the single largest revenue driver among marketing channels under either a first or last touch model in Q4. Revenue share for organic search appears lower than in previous quarters because these figures are not adjusted for visits obscured by the iOS 6 issue noted earlier in this report. Even the most successful social programs only generated about a third of the revenue generated by paid and organic search.

# Attribution

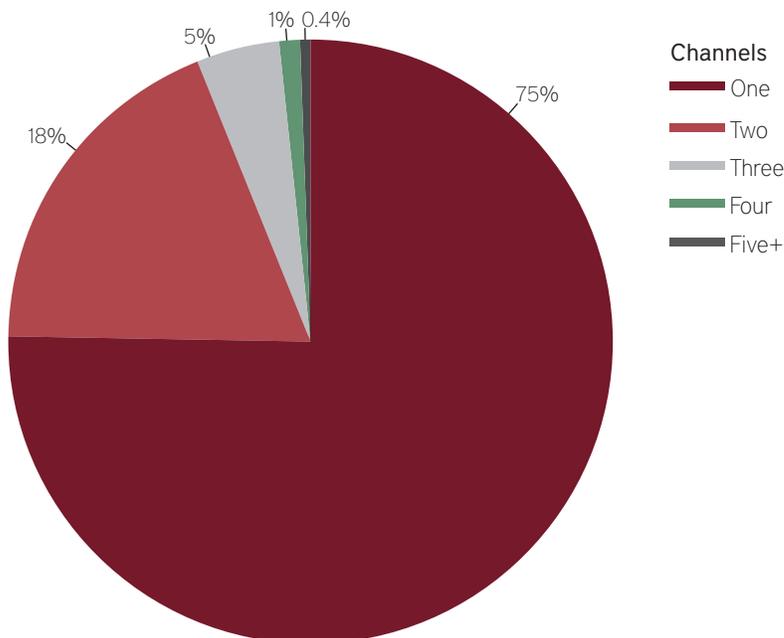
## Holiday Shoppers Take an Additional Touch Before Purchase



### Average Non-Brand Marketing Touches Per Order

► On average, shoppers had 4.3 marketing touches per order in Q4, a notable increase from 3.5 touches in Q3. This trend held across every site we surveyed.

## Three Out of Four Orders Involve Just a Single Marketing Channel



### Marketing Channels Per Order

► Only a quarter of Q4 orders involved touches from multiple marketing channels. While the average number of non-brand marketing touches was 4.3, shoppers commonly hit a single channel multiple times before purchase.

# 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](mailto:info@rimmkaufman.com)

(434) 970-1010

[rimmkaufman.com](http://rimmkaufman.com) | [rkblog.com](http://rkblog.com)

 [RSS Feed](#)

 [Twitter](#)

 [Facebook](#)

 [LinkedIn](#)

 [Google Plus](#)

## About RKG

RKG is a full-service 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. RKG is a privately held company with offices in Charlottesville, VA; Bend, OR; Boston, MA and San Francisco, CA.

## 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.