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Digital Advertising Report

Adobe Digital Index | Q2 2015

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Overview

This report covers a broad range of information from the digital advertising industry with insights centered around search engine marketing. Topics include:

- Insights around Google's search and display business
- Effects of the April 21st 2015 Google algorithm change (also known as Mobilegeddon)
- Search engine spend, click-through-rates (CTR), and cost-per-click (CPC) across different regions, search engines, and devices
- How search behaviors and metrics differ across device types

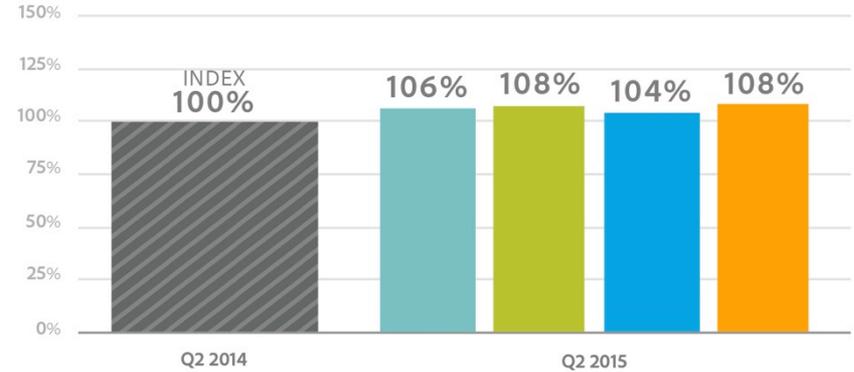
Key Insights

- **“Mobilegeddon” fears come true**– The negative effects of Mobilegeddon on sites that were not optimized for mobile resulted in a decrease of up to 10% in organic traffic.
- **Google’s search business is expected to slow:**– For Q2 2015, Google’s search business looks to be up 1-2% QoQ compared to a QoQ increase of 4.5% for Q2 2014
- **Global SEM spend up; CTRs are up but growth is slowing; CPCs are increasing:**– Global SEM spending increased 6% YoY, while CTR’s were up 9% and CPC was up 6%
- **Marketers need to rethink how they benchmark mobile:**– When looking at the relationship between mobile engagement and rpv (revenue-per-visit), marketers need to develop models that are not dependent on historical desktop results
- **Marketers are paying up for tablet users:**– The expense that marketers are paying for a tablet click is 6% higher than what they are paying for a desktop click.

SEM Industry Spend Growth By Region

The Findings.

- Search engine marketing (SEM) industry spend increased 6% globally with the fastest growth coming from the North America and APAC; both up 8% YoY
- Marketers are increasing their search spend fairly uniformly across all regions



SEM INDUSTRY SPEND GROWTH BY REGION

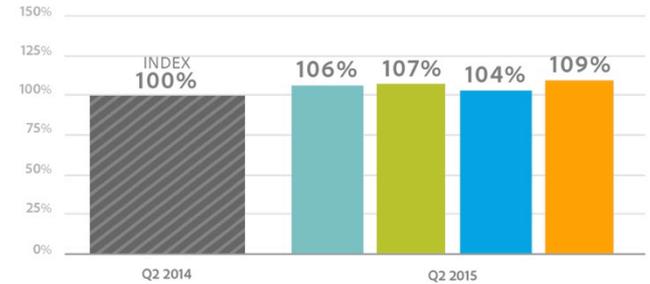
GLOBAL NORTH AMERICA EMEA APAC

Source: Adobe Media Optimizer

SEM Spend Growth by Search Engine

The Findings.

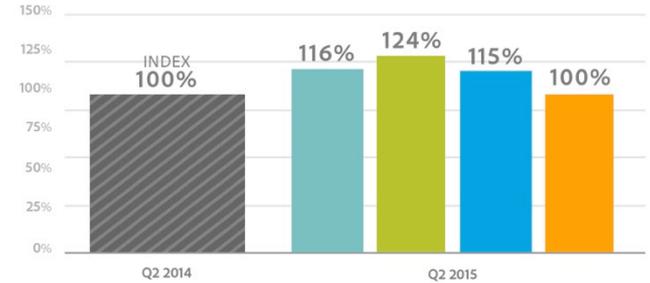
- Enterprise marketing spend on Google increased 6% YoY globally, and saw the strongest regional spend increase in APAC region; up 9%
- Yahoo! Bing realized a strong increase in enterprise SEM spend in North America, meanwhile spend was flat in APAC
- Both domestically and in most international markets, marketers are transitioning more of their search spend to fully optimize SEM services from Yahoo! Bing



GOOGLE SEM SPEND GROWTH BY REGION

GLOBAL NORTH AMERICA EMEA APAC

Source: Adobe Media Optimizer



YAHOO! BING SEM SPEND GROWTH BY REGION

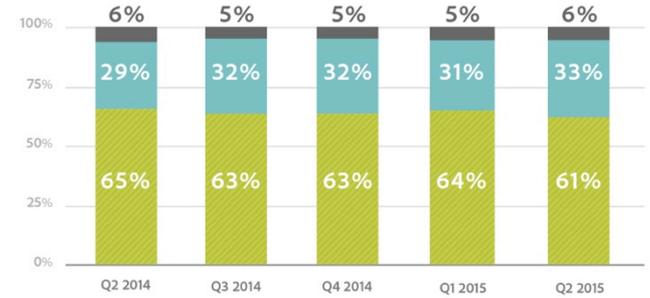
GLOBAL NORTH AMERICA EMEA APAC

Source: Adobe Media Optimizer

Share of SEM Spend

The Findings.

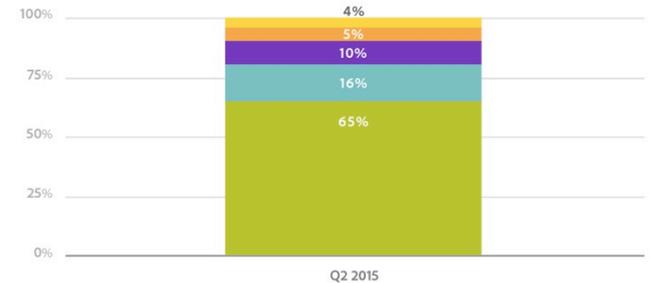
- Google is the dominant platform for SEM in North America, however Yahoo! Bing continue to chip away at Google's share
- Globally, the SEM market is represented by a dichotomy of Google and the Yahoo! Bing joint venture with 81% share of enterprise spend. China's Baidu and Russia's Yandex are starting to become more than just regional options



NORTH AMERICA SHARE OF SEM SPEND BY QUARTER

GOOGLE YAHOO! BING OTHER

Source: Adobe Media Optimizer



Q2 2015 GLOBAL SHARE OF SEM SPEND

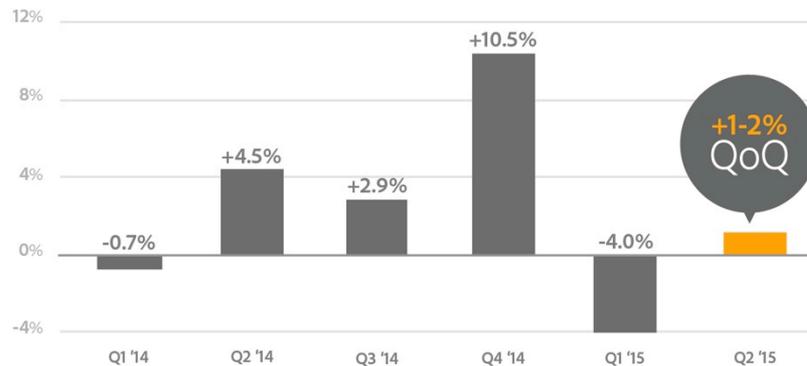
GOOGLE YAHOO! BING BAIDU YANDEX OTHER

Source: Adobe Media Optimizer

Google Search Revenue Forecast

The Findings.

- Google Search business appears to be up QoQ 1-2% (+/- .5%) but may be disappointing compared to last year's Q2 growth of 4.5%
- ADI anticipates Google search revenue to return to positive growth from Q1 to Q2 following the seasonal decrease from the Holiday period to Q1



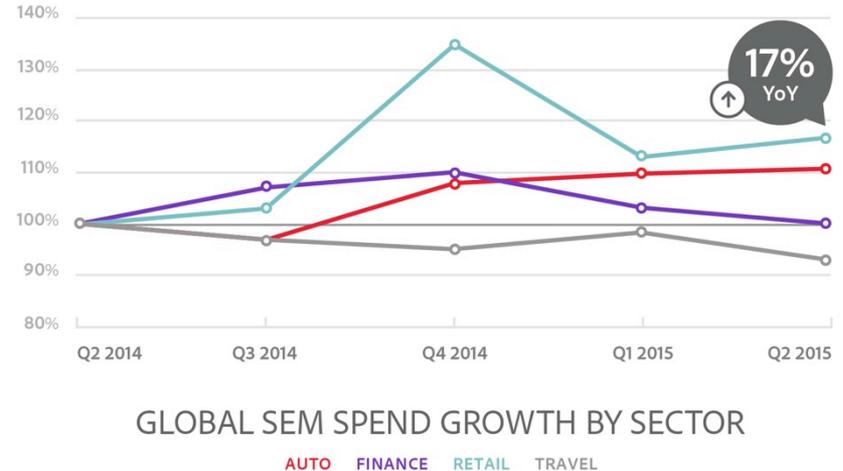
GOOGLE SEARCH REVENUE QoQ% CHANGE

Source: Adobe Media Optimizer

Global SEM Spend Growth by Sector

The Findings.

- Retail realized the largest YoY increase in SEM spend; up 17% YoY
- Auto Industry SEM spend increased by 11% YoY
- Finance sector SEM spend fluctuated up and down before reaching a flat 0% change YoY
- Travel industry saw a 7% dip in the SEM spend YoY



Source: Adobe Media Optimizer

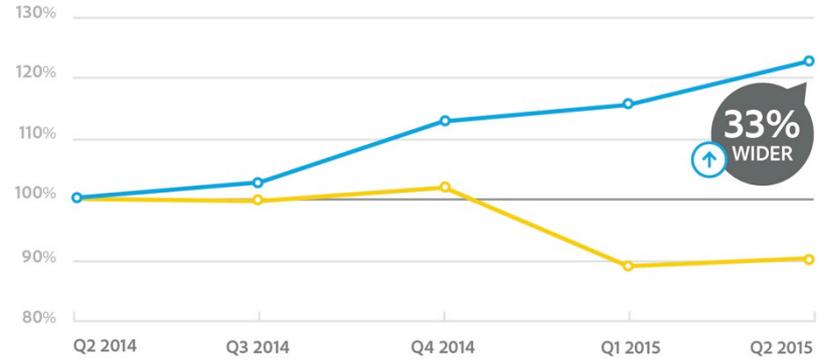
Global Display Ad CPC & CTR Growth

The Findings.

- A spread between display CTR's and display CPC's has widened substantially over the last year
- Display CTR's are up 23% YoY as marketers increase optimization in this advertising medium

The Opportunity

Visually based ads are an important aspect in advertising. Marketers have greatly increased their spend on Google and Yahoo! Bing for visually based product listing ads. Display ads, which typically have very low CTR's, are becoming more efficient and should be considered in a marketers overall digital marketing strategy.



GLOBAL DISPLAY AD CPC & CTR GROWTH

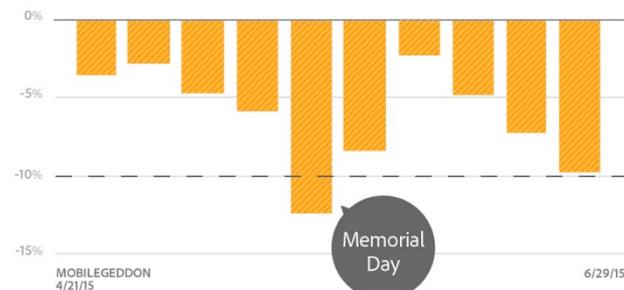
COST PER CLICK CLICK THROUGH RATE

Source: Adobe Media Optimizer

Mobiledgeddon

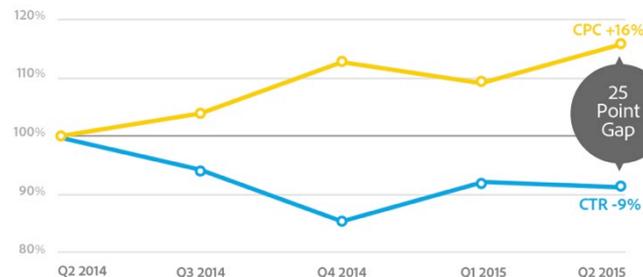
The Findings.

- Google now prioritizes mobile-friendly sites in organic searches
- Organic traffic up to 10% lower among sites with low mobile engagement
- With lost mobile organic traffic, enterprise marketers have bid up paid mobile search, BUT:
 - Costs more to get less as mobile search metrics diverge
 - Cost-per-click (CPC) rose 16% YoY
 - Click-through-rate (CTR) fell 9% YoY
- Q2 '15 negative spread of 25 points begins to match typical holiday patterns
 - CPCs costing more, but campaigns are driving less traffic



SPEND OF ORGANIC SEARCH VISITS BY MOBILE "FRIENDLINESS"

Source: Adobe Analytics



GLOBAL SEM CTR AND CPC GROWTH: SMARTPHONE

COST PER CLICK CLICK THROUGH RATE

Source: Adobe Media Optimizer

Mobile Engagement and RPV

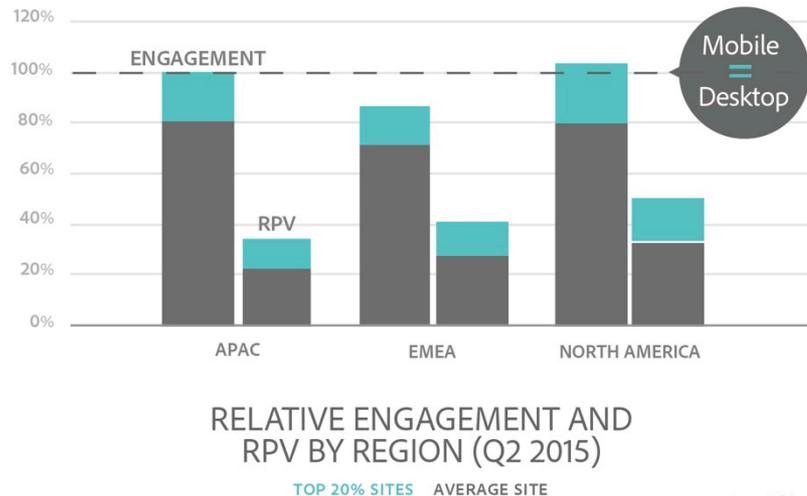
The Findings.

- Mobile visitors are not as valuable in terms of RPV as those arriving from the desktop
- Mobile visitors browse less of a site than desktop visitors. (Pages per visit is one component of engagement)

The Takeaway

While optimizing the mobile experience improves RPV, it will take new innovation around IoT, sensors, NFC, beacons etc to fully realize the potential of mobile.

This, along with click inflation and other related facts, creates Mobile Stress which ADI believes contributes to the \$25-\$30b gap in mobile advertising identified by the IAB.

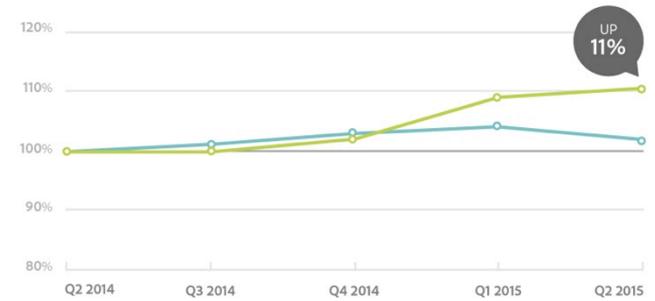


Source: Adobe Analytics

CTR Growth by Search Engine & Region

The Findings.

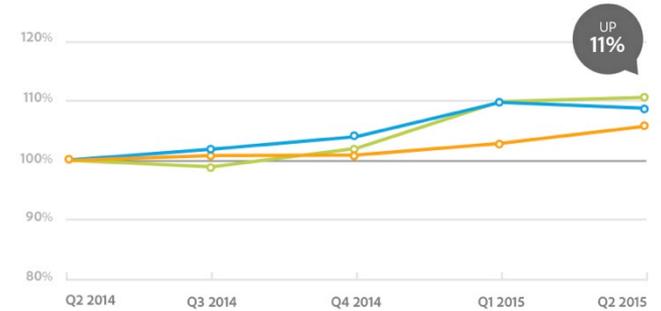
- The march to more efficient enterprise SEM on Google continues, with Google CTR's up 11% YoY; Yahoo! Bing up 2%
- Marketers in North America realized the highest average growth in SEM optimization with CTR's up 11%



GLOBAL SEM CTR GROWTH BY SEARCH ENGINE

GOOGLE YAHOO! BING

Source: Adobe Media Optimizer



SEM CTR GROWTH BY REGION

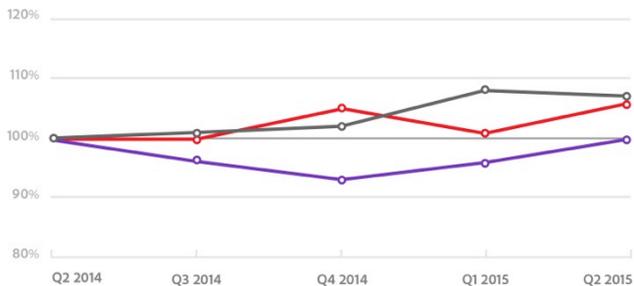
NORTH AMERICA EMEA APAC

Source: Adobe Media Optimizer

CTR and CPC Growth by Device Type

The Findings.

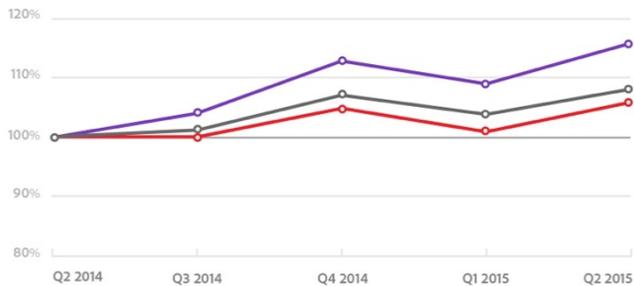
- Tablets realized the highest increase in SEM efficiency with CTR's up 7% YoY; smartphone CTR's were flat YoY
- The cost of reaching consumers via smartphone rose the quickest; up 116%



GLOBAL SEM CTR GROWTH BY DEVICE TYPE

DESKTOP SMARTPHONE TABLET

Source: Adobe Media Optimizer



GLOBAL SEM CPC GROWTH BY DEVICE TYPE

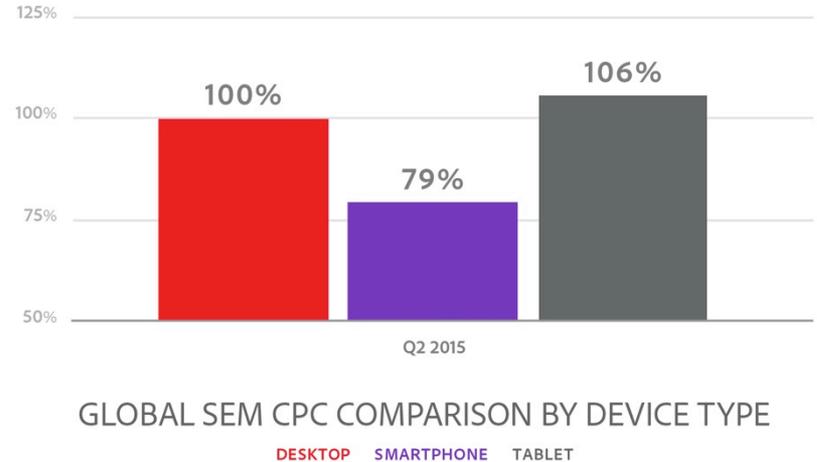
DESKTOP SMARTPHONE TABLET

Source: Adobe Media Optimizer

Global SEM CPC Comparison by Device Type

The Findings.

- Marketers are paying up for tablet clicks with the cost of tablet CPC's 6% higher than desktop CPC's
- Although Smartphone CPC's grew the most YoY, they were also the cheapest relative to desktop and tablet CPC's

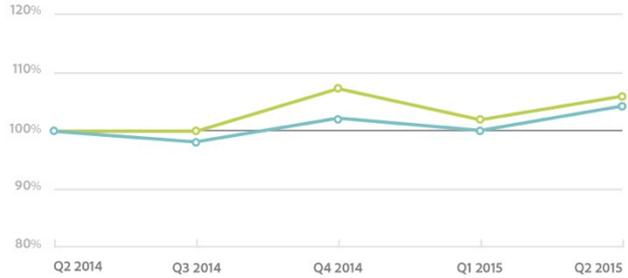


Source: Adobe Media Optimizer

CPC Growth by Search Engine and Region

The Findings.

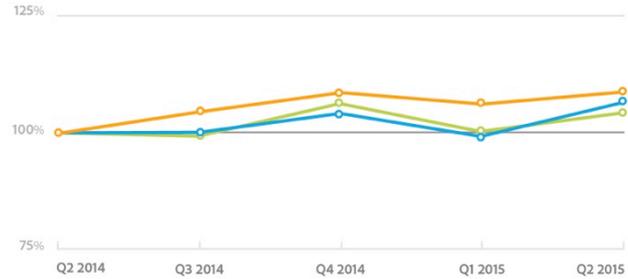
- The growth in Google and Yahoo! Bing CPC's tracked fairly closely among enterprise SEM, with Google CPC's up 7% YoY and Yahoo! Bing CPC's up 4% YoY
- Enterprise marketers in North America realized the highest increase in optimization (CTR's) and the lowest increase in cost (CPC's)



GLOBAL SEM CPC GROWTH BY SEARCH ENGINE

GOOGLE YAHOO! BING

Source: Adobe Media Optimizer



SEM CPC GROWTH BY REGION

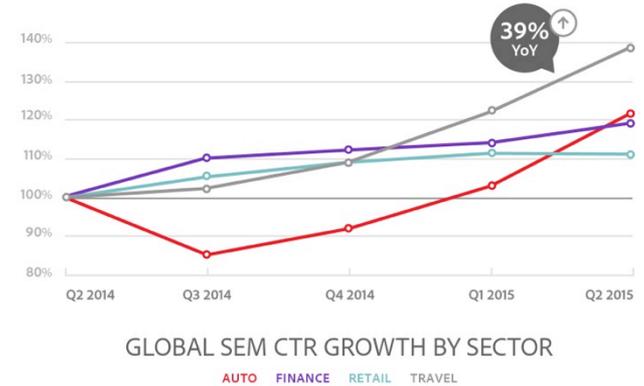
NORTH AMERICA EMEA APAC

Source: Adobe Media Optimizer

CTR & CPC Growth by Sector

The Findings.

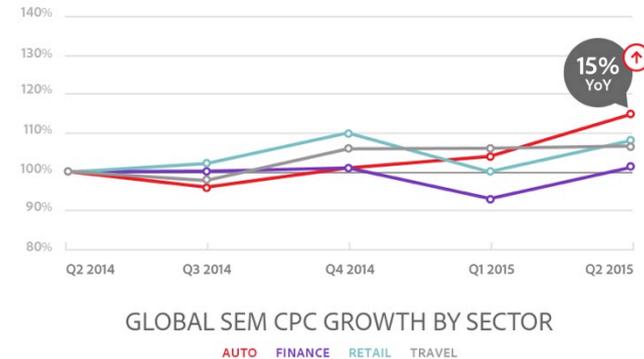
- Marketers in the travel sector realized the highest increase in optimization, with CTR's up 39% YoY
- The auto sector had the largest increase in enterprise CPC's; up 15%



GLOBAL SEM CTR GROWTH BY SECTOR

AUTO FINANCE RETAIL TRAVEL

Source: Adobe Media Optimizer



GLOBAL SEM CPC GROWTH BY SECTOR

AUTO FINANCE RETAIL TRAVEL

Source: Adobe Media Optimizer

Methodology

Composed of aggregated and anonymous data from visits to websites in multiple industries and segments from 2012 through 2015. Data captured via Adobe Marketing Cloud — Adobe Media Optimizer

- 489+ billion digital ad impressions from platforms like Google, Yahoo!, Bing, Baidu, Yandex, etc.

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