

IN Q3, ONE THIRD OF ALL MEDIA SPEND IS MOBILE

Mobile Search Spending in Q3 Grew by 180%

By Alex Funk

Executive Summary

Year-on-year global paid search advertising among Covario's high tech, consumer electronics and retail clients increased by 28%, and by 16% quarter-over-quarter.

Mobile search spend growth continued its impressive pace, recording a 180% gain year-on-year with search volume increasing 120%.

33% of all search budgets now are for smartphone and tablet devices.

Product Listing Ad spending increased 154% year-on-year.

Global CPC prices decreased by 8% over the previous year.

THIRD QUARTER GLOBAL SPENDING OVERVIEW

Spending on global paid search advertising in Q3 2014 grew by 28% year-over-year, and by 16% quarter-over-quarter. The increases in media expenditures were driven by a 39% rise in traffic and a 20% rise in impressions year-over-year but conversely by an 8% decrease in click price.

The trend of better monetization of the available traffic across traditional search text ads and Product Listing Ads (PLAs) continued in Q3 with CTRs improving 16% year-on-year. We've seen the result of Google's larger ad units coming into play more and more, the click-through rates (CTRs) on those ads have been increasing along with the budgets.

Globally, cost-per-clicks (CPCs) decreased 8% compared to a year prior, unsurprisingly driven down by the larger percentage of mobile traffic which has been at a heavy discount to desktop bids.

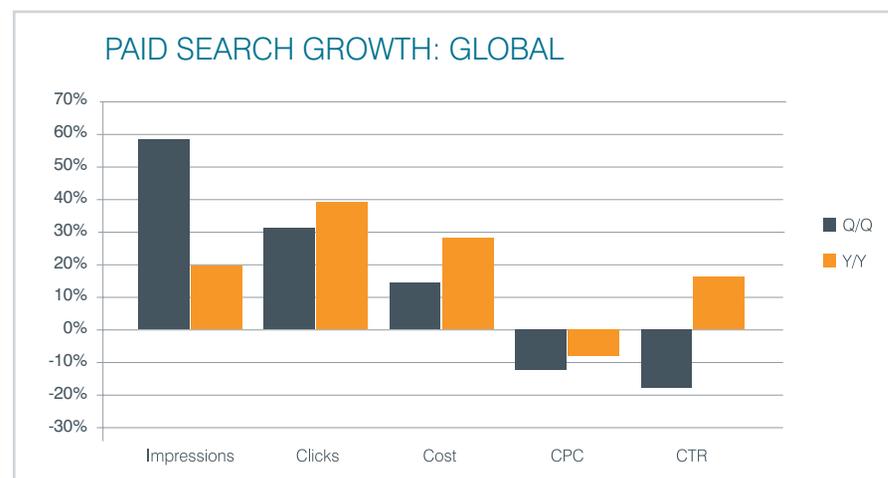
On a worldwide level, we saw paid search investments continue to improve in Q3 with large gains primarily driven from larger investments in the Americas and a rebounding in EMEA. Covario's clients in the B2B, tech, retail and consumer electronics space all increased search funding ahead of projections, with both desktop and mobile budgets increasing in the quarter. PLA spend increased 154% over the previous year on 171% growth in search query volume.

The Americas region saw a 26% increase in media budgets. This was led by increased paid search investments in the U.S., Canada, Mexico, Chile and Brazil.

In EMEA, search budgets have been rebounding with media spend up 42% year-on-year and 17% quarter-on-quarter.

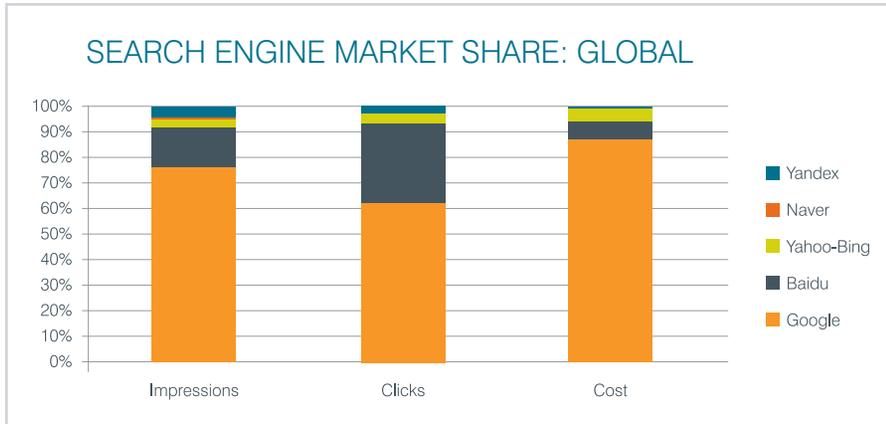
The APAC region finished Q3 with solid growth as well, albeit a slower pace than the before mentioned regions. APAC countries experienced 9% growth year-on-year and 6% quarter-on-quarter.

The following chart shows global Q3 paid search activity.



Source: Covario

The year-over-year growth in paid search budgets and improvements in CTRs drove large increases in click volume (39% year-on-year). The following chart shows how global paid search activity was distributed across the major search engines in Q3.



Source: Covario

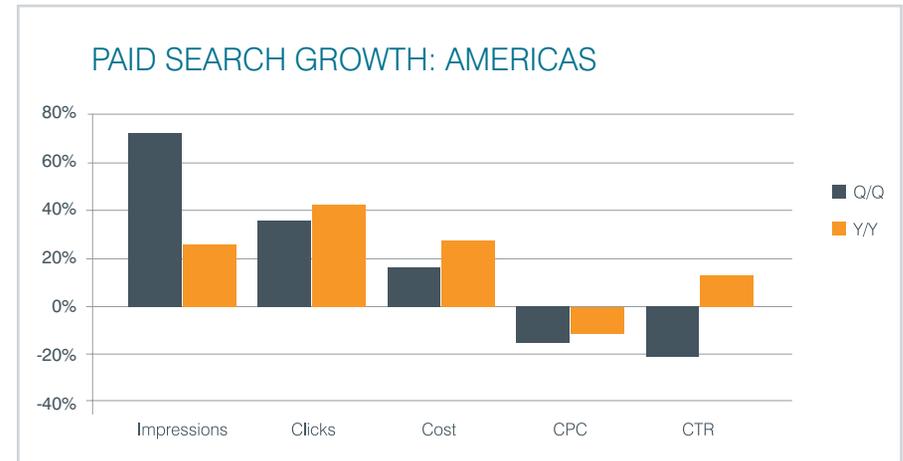
On a global platform basis, Google continued to dominate with 86% market share in spend, 74% in impressions, and 62% in clicks. Advertiser spending increases with Google were up 27% from a year ago. Yahoo-Bing currently holds 4% global market share in paid search spend and 4% in clicks. Baidu, which commands the majority of search engine market share in China, represented 7% of the total global search budget.

REGIONAL ALLOCATION ANALYSIS

At the outset of each year, we provide guidance to our clients with respect to budget allocations for paid search spending for the coming year as a whole. We offer this information so our clients have an industry benchmark that they can use to ensure they are allocating budget appropriately to maintain their paid search advertising market share. Our latest 2014 regional planning assumptions for the Americas, EMEA and APAC are listed below.

- 15% – 20% growth in the Americas
- 10% – 15% growth in EMEA
- 10% – 15% growth in APAC

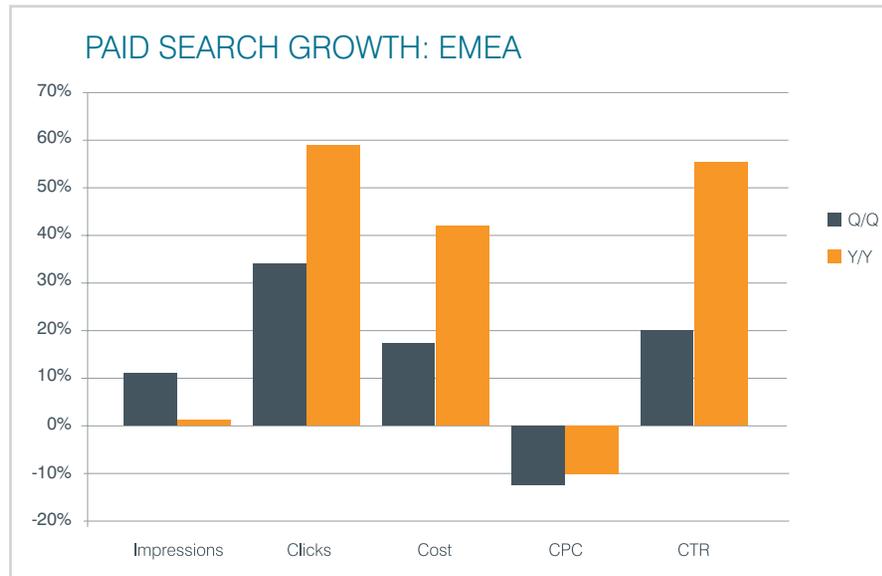
PLANNING ASSUMPTION AMERICAS: For 2014, due to spend changes over the past year such as increased investments in PLAs, mobile search and the higher ad engagements, we recommend that advertisers budget for an increase of 15%-20% in paid search spending, emphasizing the United States, Canada and the top growing Latin American countries of Mexico, Brazil, Chile, Peru and Argentina. The Americas' budget should allocate 85% of search spend to Google, an even higher percentage being reserved for Latin American countries where Google dominates.



Source: Covario

Second quarter spending in the Americas was up 26% from Q3 '13 and up 17% quarter-on-quarter. Google commanded 90% of the paid search advertising budget share in the Americas. When we look into that number a little further we see that Google dominated Latin America, where it gained 96% of paid search budgets in Q3, while the Yahoo-Bing Network market share hovered around the 10% mark for the region overall.

PLANNING ASSUMPTION EMEA: For 2014, we recommend that global advertisers increase budgets in EMEA by 10% to 15%, focusing first on the larger Tier 1 and Tier 2 markets (United Kingdom and Ireland, France, Germany, Russia, plus the regions of the Nordics, Benelux, and Iberia), as well as emerging markets in the Middle East and African countries. We further recommend that 95% of this spend be allocated to Google, except in Russia and parts of Eastern Europe where spending on Yandex should dominate budgets.

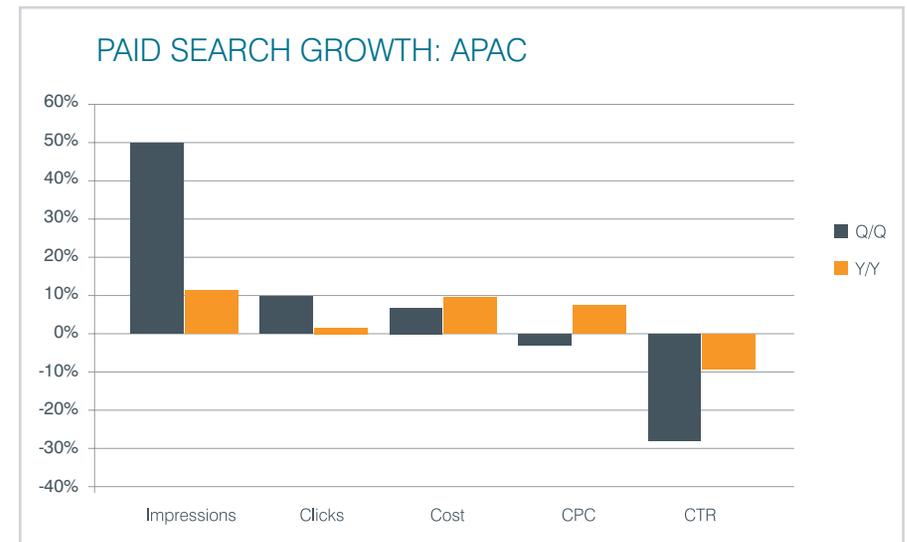


Source: Covario

In Q3 '14, the EMEA region jumped out ahead of pace following a couple of slower quarters of positive growth. Both quarter-on-quarter and year-on-year paid search spending gains were in the mid-double digits. Media spend was up 42% year-on-year and 17% over Q2, which was driven by both an increase in click activity and by higher CTRs on ad creative.

When looking at search engine breakdowns across Europe, the Middle East and Africa, Google's continued dominance stands out. In Q2, 90% of regional paid search budgets went to Google. Bing and Yahoo still only make up about 2% of the media spend in all of EMEA. The largest growth in the region has been with Yandex in Russia and Eastern European countries, where it stands at 8% of overall EMEA paid media budgets.

PLANNING ASSUMPTION APAC: For 2014, we expect 10% to 15% search spending growth in the region. We expect most of that growth to be spread among China, South Korea, Japan, South APAC countries, Australia and New Zealand. Chinese market search engine investments should focus on Baidu with about 95% of the budget, with an eye on upstarts 360 Qihoo and Sogou.com that are there. South Korea's Naver search platform garners 97% of the budget there, while the rest of the APAC region should be allocated with budgets split roughly 80% Google, 20% Yahoo.



Source: Covario

In APAC, paid search spending improved 9% over last year, while quarter-on-quarter growth moved up by 6%. The year-on-year growth was driven by a 10% increase in click volume and a 12% increase in impressions in the region, but was tempered by a -9% decrease in CTR.

In Q3, Baidu captured 26% of the overall search budgets in APAC, with 70% going to Google and 4% going to Naver.

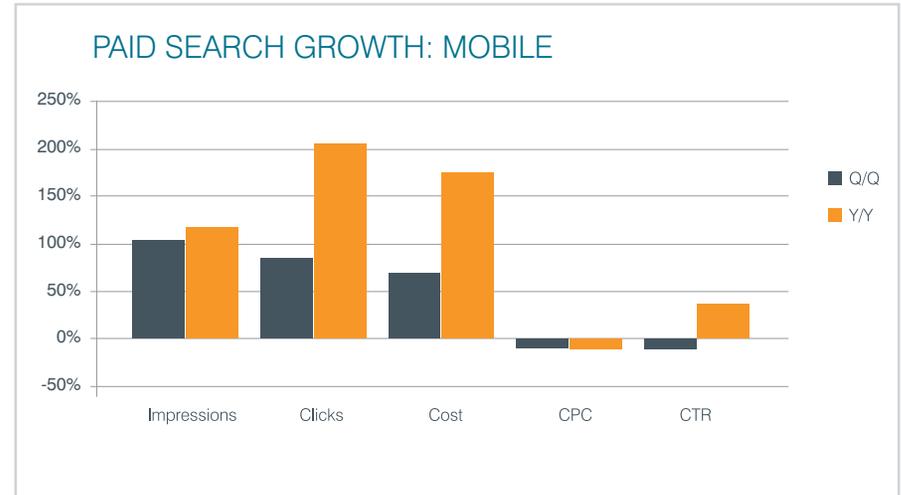
THE STATE OF MOBILE

Mobile advertising growth continues to soar with astounding, and highly publicized, numbers being recorded (e.g., 1 billion active Android users¹ and Apple's own devices selling units in the double digit millions in their first weekend available²). All of these mobile devices add up to more search activity, and big brand marketers are following suit with paid search budgets and click share campaigns increasingly moving to capture that demand.

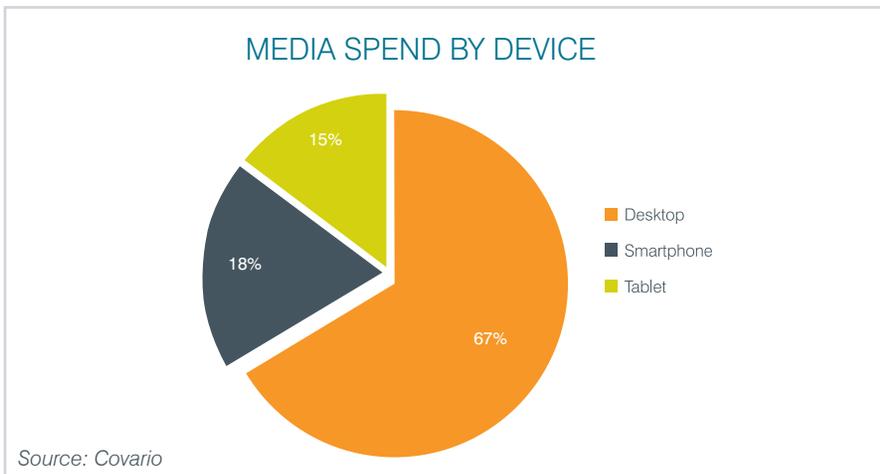
On a global platform basis, mobile advertising continued its torrid pace in Q3 with 180% year-on-year growth and 72% growth quarter-on-quarter. In the third quarter of 2014, mobile search advertising made up 33% of total global search spending.

The gap between mobile device ad spend changed direction for the first time with more mobile budget going towards smartphones in Q3 2014: 54% (smartphone) vs 46% (tablet).

Impressions, clicks and media costs all had large triple-digit growth increases year-on-year with more muted numbers relative to both CPC prices and ad CTRs. CPC prices dropped -8% in Q3. CPCs also remain at a large discount to comparable desktop clicks, with mobile clicks 59% lower in cost in Q3, and tablet clicks 31% lower.



Source: Covario



Source: Covario

¹Android has 1 Billion Active Users in past 30 Days (phandroid).

²First Weekend iPhone Sales Top 10 Million, Set New Record

ABOUT THE STUDY

This is the eighth year of Covario's quarterly Global Paid Search Spend Analysis. We now have 31 quarters of data on the spending patterns of Covario customers, which consist largely of global high-tech and consumer electronics brands, as well as national ecommerce retailers.

The purpose of this report is to share our expertise relative to the spending patterns of our unique customer set to help our clients with their paid search planning assumptions and budget management.

Our global clients leverage paid search advertising in more than 45 countries on many different search engine platforms. This provides Covario with a view into how global advertisers are changing their allocations in search spending, as well as differences in the performance of their paid search programs in a way that allows planners to more accurately develop global marketing campaigns and budgets.

This report is being provided for general informational purposes only.

ABOUT COVARIO

Covario is a leading independent search, social and content marketing agency, as well as one of the top SEO and social media software providers. Dentsu Aegis Network recently acquired Covario for integration into iProspect, the world's first truly global digital performance marketing agency. Covario's Rio SEO unit will remain an independent company. Covario was selected by *OMMA Magazine* for a record-setting third-year in a row as the Search Agency of the Year from 2011 to 2013. It was ranked in 2014 by *Advertising Age* magazine among the nation's Top 12 search agencies. Headquartered in San Diego, the Covario agency has more than 140 team members worldwide. The firm's growing customer base includes global leaders in technology, consumer electronics, financial services, retail, ecommerce, media, entertainment, publishing, and consumer packaged goods. More information is available at covario.com.