



GLOBAL Q4 2011

# DIGITAL MARKETING

## PERFORMANCE REPORT



# Q4 2011 EXECUTIVE SUMMARY

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**SEARCH SPEND** INCREASES 14% YoY IN THE US AND 19% YoY IN THE UK AS RETAILERS SPEND AGGRESSIVELY IN Q4. US spend in retail grew by 18% YoY and 40% QoQ and UK retail spend grew by 10% YoY. This indicates a consistent seasonal ramp up in Q4 and results in a strong fourth quarter overall. Retail ROI YoY remains steady.

**GOOGLE** MAINTAINS 80% SPEND SHARE IN Q4. Yahoo/Bing clicks are 14% more valuable than Google while also having 9% more ROI than Google. Yet Google increases click share by 2.5% YoY indicating the necessity for volume and reach from advertisers, primarily retailers, in Q4.

**SEARCH CPCs** DROP 5% QoQ ACROSS THE BOARD. While Q4 search spend increased significantly, CPCs decreased due to a rise in mobile advertising (where clicks are less expensive than in desktop) and more efficient ad delivery by search engines resulting in higher click through rates.

**MOBILE SPEND** IS 7-8% OF SEARCH SPEND vs. 2% ONE YEAR AGO. Advertising on mobile devices is becoming increasingly important for marketers. In particular, tablets are rapidly gaining favor and now account for 50% of mobile search spend and 50% of click share.

**GOOGLE** ASSUMES 96% OF MOBILE SEARCH ADS. Yahoo/Bing accounts for just 4% of mobile ads.

**FACEBOOK** SPEND SHARE REACHES 2.7% OF BIDDABLE ONLINE ADVERTISING SPEND IN Q4. Acknowledging the growth and significance of social, marketers are implementing incremental spend QoQ. Increases in social spend are coming from new ad budgets rather than subtracting from Search or Display, demonstrated by the growth in Search spend and consistency in Display spend throughout 2011.

**GOOGLE'S DOUBLECLICK** INCREASES EXCHANGE DISPLAY MARKETSHARE 19% YoY. Due to both inventory constraints and shifting strategies by Yahoo for their Right Media Exchange, Google extended significant share gains in biddable display.

**EUROPEAN MARKETS** SHOW STRONG GROWTH IN SEARCH SPEND YoY. France increases search spend 70% YoY and Germany 47% YoY indicating heavier investments into online advertising in 2011. The UK has been leading the online marketing industry in Europe and continued to increase search spend 19% YoY.

# OUTLOOK FOR 2012

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**MOBILE SEARCH SPEND** WILL MAKE UP 16-22% OF ALL PAID CLICKS BY THE END OF 2012. As more mobile devices with full Internet browsing capabilities enter the market, mobile experiences become more robust. This is driving a shift of consumer usage from desktops to mobile devices, ultimately causing mobile advertising to become a key focus for marketers in 2012.

**SEARCH CPCs** WILL FURTHER DECREASE 4%. The increase of mobile advertising and mobile search spend will contribute to this reduction. Search engine innovations by Google to provide more effective ad delivery will also continue to decrease CPCs.

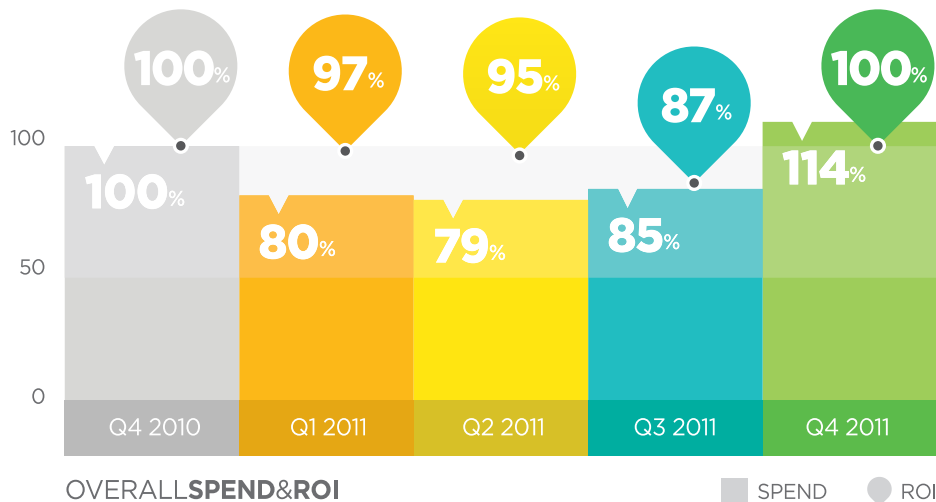
**SEARCH SPEND** WILL INCREASE 15-20% IN 2012 IN THE US. Similar growth is expected internationally, however, the macro economic conditions in Europe can significantly affect this growth.

**YAHOO/BING** WILL CONTINUE TO PURSUE MORE AD INVENTORY. Although Yahoo/Bing clicks continue to have better RPC (Return-Per-Click) and ROI, the search engine still needs to increase reach to improve market share. Advertisers are eager to take full advantage of the higher performance Yahoo/Bing provides, but are still looking to do so at scale.

**FACEBOOK** WILL REACH 5% OF ALL ONLINE ADVERTISING SPEND BY THE END OF 2012. As marketers improve their ability to acquire and engage Facebook fans, brands will continue to pump new budgets into Facebook to capitalize on the social network's reach and the amount of time users spend there. The increased spend will help companies improve brand awareness and drive the customer lifecycle amongst fans and non-fans.

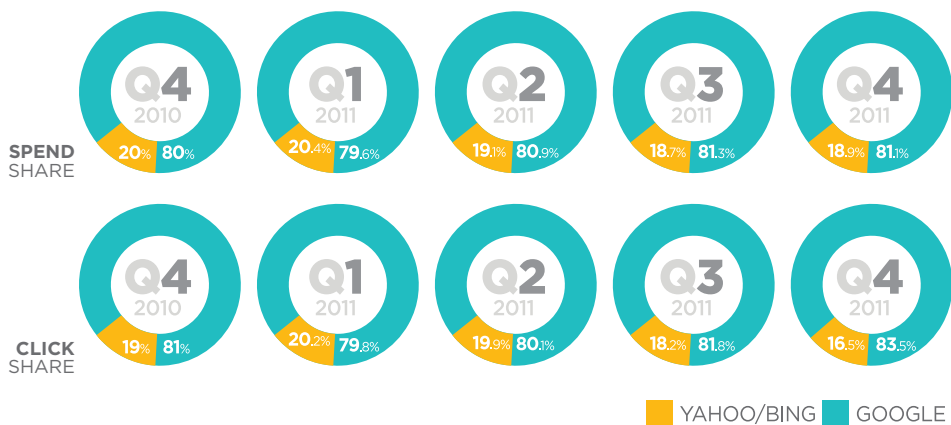
**DEVELOPMENTS IN OTHER SOCIAL PLATFORMS SUCH AS GOOGLE+ AND LINKEDIN** will have a positive impact on social spend and the growth of this competitive space. However, Facebook will remain the dominant social network and social publisher for advertisers in 2012.

# SEARCH



## SEARCH SPEND & ROI

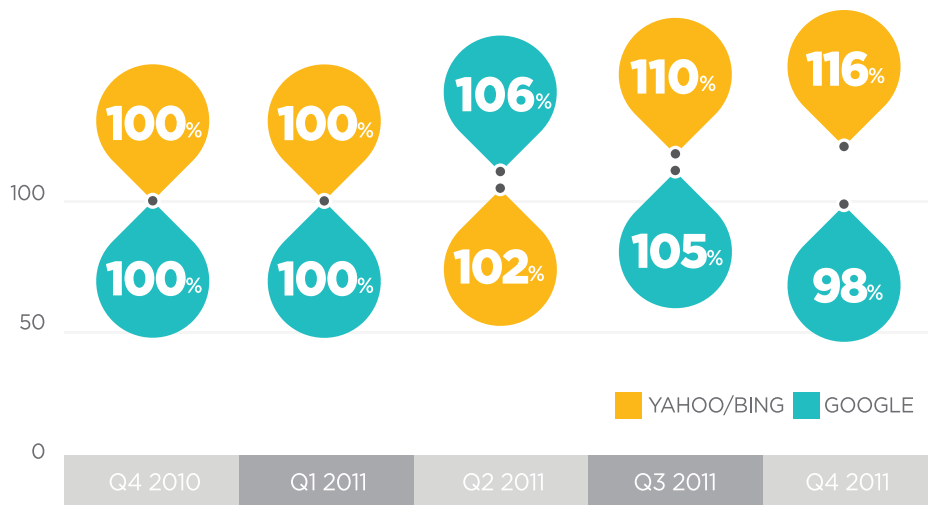
Retailers ramped up spend in Q4 driving a 14% YoY overall search spend increase in the US and 19% YoY increase in the UK. ROI rose by 18% QoQ indicating effective improvements in ad delivery and performance.



## SEARCH SPEND SHARE & CLICK SHARE

Spend share on Google rose 1% YoY and click share of Google rose 2.5% YoY with more consistent spend across the search engine throughout all months of Q4 indicating a stronger consumer confidence throughout the year.

# SEARCH



## SEARCH CPC TRENDS

Yahoo/Bing CPC rose by 5% QoQ and 16% YoY indicating advertisers' larger investments for better ROI. Google CPC fell by 7% QoQ representing improvements in ad delivery and increases in mobile ad spend.

## SEARCH GOOGLE vs. YAHOO/BING REVENUE PER CLICK (RPC)

Yahoo/Bing clicks are more valuable, delivering 14% more revenue per click than Google. This continues to position Yahoo/Bing as the search engine with higher quality and higher performing traffic, but is still challenged with scalability.

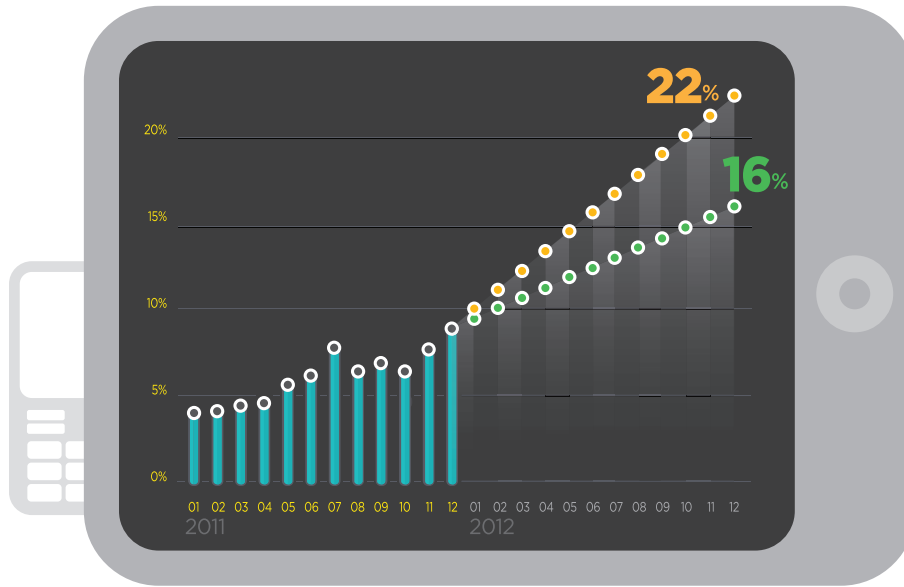


## SEARCH GOOGLE vs. YAHOO/BING RETURN ON INVESTMENT (ROI)

Yahoo/Bing ROI is 9% more than Google maintaining its high traffic quality offering. Although it delivers better ROI than Google, advertisers still spent more on Google in Q4 indicating the ongoing importance of click and inventory volume.



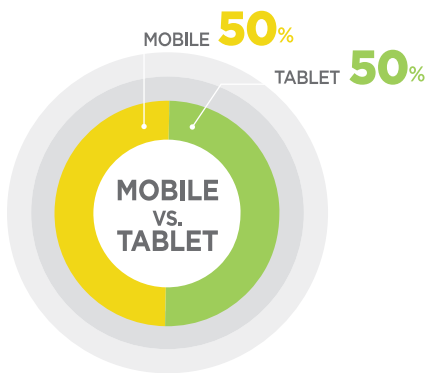
# MOBILE



## MOBILE SPEND

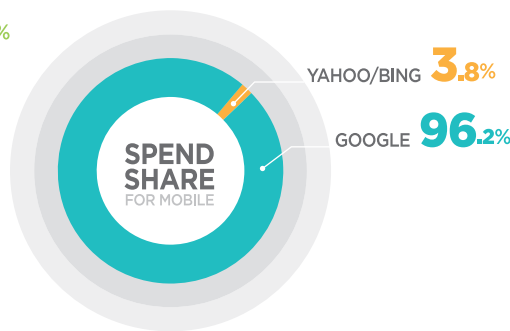
Mobile currently accounts for 7-8% of search spend, up 2.7x since 2010. **Accelerated growth in mobile is expected throughout 2012.** Conservative projections indicate mobile will be 16% of search spend and aggressive projections forecast mobile spend closer to 22% of search spend by the end of 2012.

- CONSERVATIVE PROJECTION
- AGGRESSIVE PROJECTION



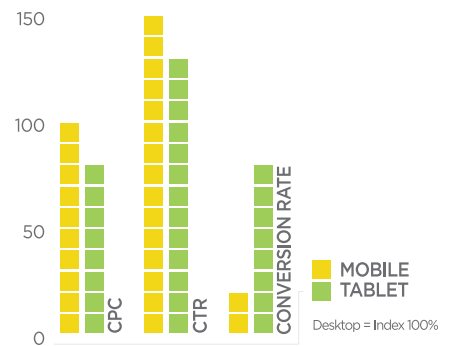
## MOBILE DEVICE SEGMENTATION

A quick and steady growth in mobile search spend across tablet devices is obvious with tablets accounting for 50% of mobile search spend and 50% click share of mobile ads. This indicates a trend towards increased spend in mobile as well as the growing role mobile devices will play in user browsing and purchasing behavior.



## GOOGLE vs. YAHOO/BING SPEND SHARE FOR MOBILE

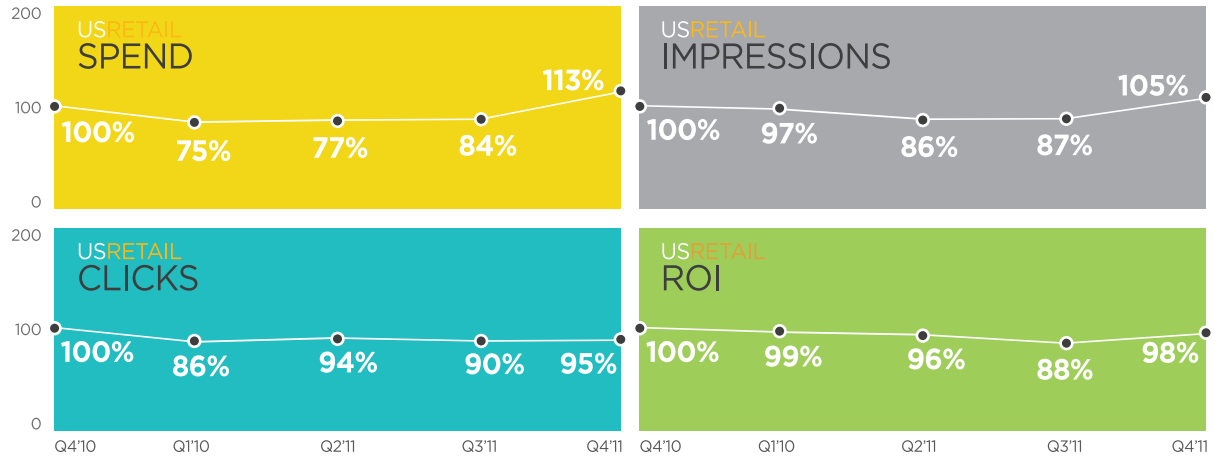
Google's larger inventory offerings become very apparent in mobile ads where they dominate assuming 96% of mobile ads where Yahoo/Bing account for 4% of mobile ads. Ramp ups in mobile ad spend have also caused overall Google CPCs to drop this quarter.



## MOBILE SEARCH vs. DESKTOP PERFORMANCE

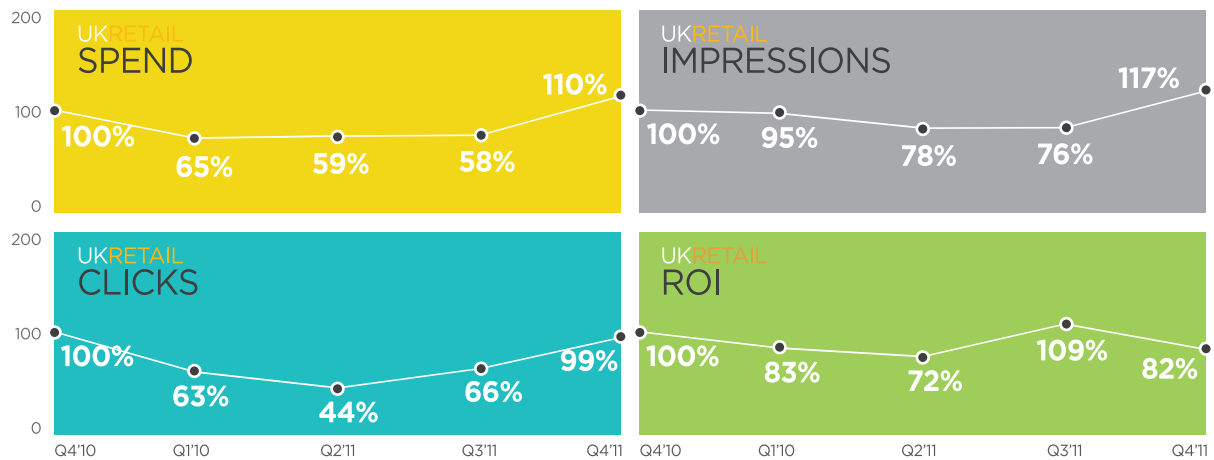
Mobile and tablet CTRs are higher than desktop campaigns. CPCs are higher on mobile than tablets at 108% and 85% respectively than Desktop. Conversion rates on mobile and tablets are still lower than desktop conversion rates at 31% and 96% respectively representing the need to continually optimize mobile platforms for higher performance.

# RETAIL



## RETAIL SECTOR DEEP DIVE

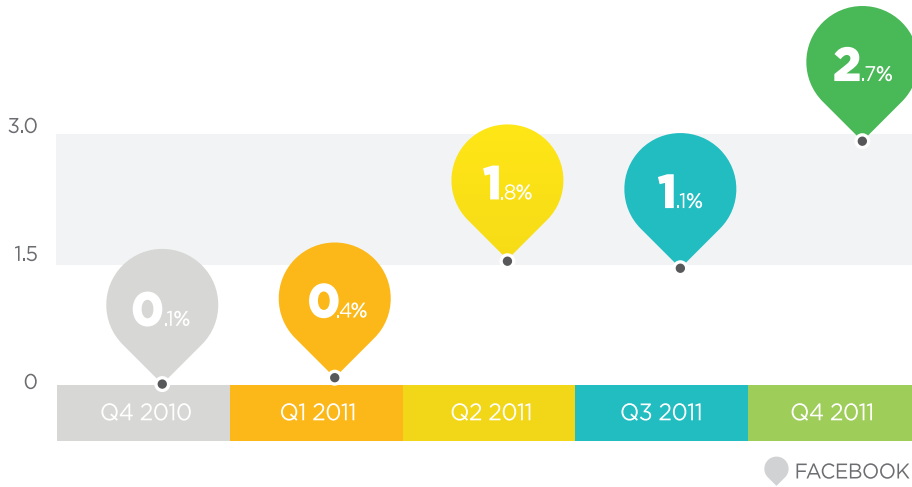
Q4 is always a strong quarter for retail indicated by a 40% rise in spend QoQ and 18% YoY. While the demand rose, CPCs fell by 5% YoY, but ROI remained steady.



## UK RETAIL

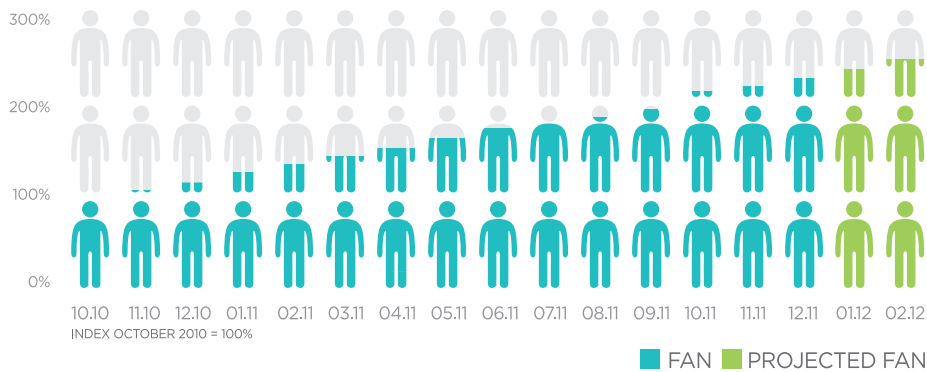
Retail in the UK increased 10% YoY gaining 7% more clicks. ROI fell by 18%.

# FACEBOOK



## FACEBOOK SPEND

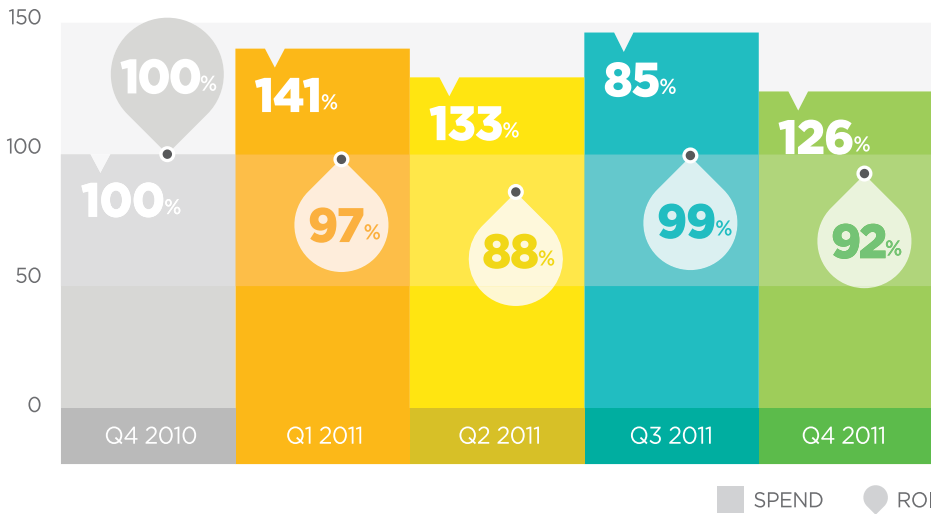
Social spend increased in Q4 now accounting for 2.7% of biddable online ad spend. Increases in search spend and consistent spend in display indicate that companies are investing new, additional budgets into social rather than depleting existing ad budgets already invested across other online channels.



## FACEBOOK FAN GROWTH

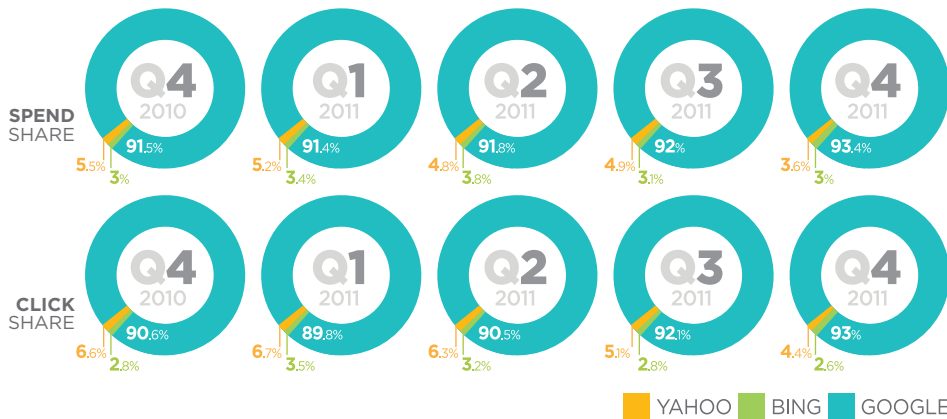
Brands continue to aggressively acquire Facebook fans at a 9% rate per month on average and are on course to double their fan base YoY by December 2012. As marketers improve engagement strategies on Facebook, brands continue to expand their presence on the social network and acquire more fans.

# INTERNATIONAL SEARCH DATA



## UK SEARCH SPEND

The UK still leads the online advertising industry in Europe despite strong increases in search spend in France and Germany YoY. Search spend in the UK increased 19% YoY representing continuous digital marketing growth in Europe and marketers' ongoing shift of ad spend into online space.



## UK SEARCH SPEND SHARE & CLICK SHARE

The growth rate of search spend picked up this quarter with a 19% increase YoY although ROI fell slightly by 8% YoY. This reflects an increased willingness by advertisers to pursue campaigns that gain market share and volume over pure ROI.

## INTERNATIONAL SEARCH LANDSCAPE

YoY growth in France is over 70% and 47% in Germany. The QoQ fall in the international markets compared to the QoQ rise in the US is due to retail having a lower share in our international sample set. Google continues to dominate spend share in France, Germany, and Australia at 93%, 96% and 95% respectively.

## DEFINITIONS

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**CLICK SHARE** – Amount of share received by a particular engine of all paid clicks as calculated by the formula: paid clicks on a particular search engine/total paid clicks across all engines.

**COST PER CLICK (CPC)** – Amount paid by a marketer per user click on a paid search ad. CPCs are determined by an auctioning process and are a good indicator market conditions. Increases in CPCs indicate advertisers are willing to spend more on advertising and a decrease in CPCs indicate that advertisers are willing to spend less.

**IMPRESSIONS** – Number of views of an ad by a consumer on a particular search engine. Impressions indicate consumer interest in a product. The more consumers search the higher the impression volume, the less consumers search the lower the impression volume.

**RETURN ON AD SPEND (ROAS)** – A measure of profitability based on how much an advertiser received in terms of results compared to how much ad budget was spent.

**RETURN ON INVESTMENT (ROI)** – A measure of profitability based on how much a marketer received in terms of results compared to how much was invested. Also known as a measure of efficiency.

**SPEND SHARE** – Amount of share that marketers spend buying paid search on a particular search engine as calculated by the formula: particular search engine spend/total search engine marketing spend.

This analysis was completed based on data from Efficient Frontier search engine marketing customers and the resulting Efficient Frontier's Customer Index. The Efficient Frontier Customer Index represents a subset of Efficient Frontier clients who have spend data for six consecutive quarters or more whose resulting SEM metrics are then normalized to average industry category contributions established by multiple third party data providers. The Efficient Frontier Customer Index consists of a fixed sample of large scale search engine advertisers across multiple sectors, including finance, travel, retail and automotive. The Efficient Frontier Customer Index sheds light on trends in search engine spending and performance on a year-over-year (YoY) and quarter-over-quarter (QoQ) basis.

## METHODOLOGY

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Our analysis of Facebook performance was based on data from both the Efficient Frontier and Context Optional platforms. A client index representing over 15 advertisers and 20 million fans from a multitude of verticals including retail, entertainment, CPG and Finance was built from a subset of advertisers, brands and fans managed through the platforms. Advertiser and user behavior was then analyzed for three quarters beginning Q1 2011.

## ABOUT EFFICIENT FRONTIER & CONTEXT OPTIONAL

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Efficient Frontier is a leader in online digital marketing, managing search marketing, display and social media campaigns for advertisers and agencies around the world. Efficient Frontier currently manages well over \$1.5 billion in annual digital marketing spend on behalf of its clients globally.

In May 2011, Efficient Frontier acquired Context Optional, the leading provider of social marketing management solutions for global brands on the leading social networks, Facebook and Twitter. Context Optional's Social Marketing Suite enables global enterprises to build, manage and measure their brand presence, and engage their fans to increase mindshare, word of mouth, customer loyalty and website traffic. Together, Efficient Frontier and Context Optional offer a complete solution for brands to acquire, activate and drive value from fans on Facebook and Twitter.

Efficient Frontier is headquartered in Sunnyvale, California, with offices in New York, Chicago, the United Kingdom, France, Germany, and India, and technology licensing partnerships in Japan, Hong Kong, Australia and Russia. Context Optional is headquartered in San Francisco. Efficient Frontier is a privately held company with funding from Redpoint Ventures and Cambrian Ventures. For more information on Efficient Frontier, visit [www.efrontier.com](http://www.efrontier.com) and for Context Optional visit [www.contextoptional.com](http://www.contextoptional.com). Adobe announced its intention to acquire Efficient Frontier and Context Optional in November 2011.