

UK MOBILE SEARCH SNAPSHOT

APRIL 2011

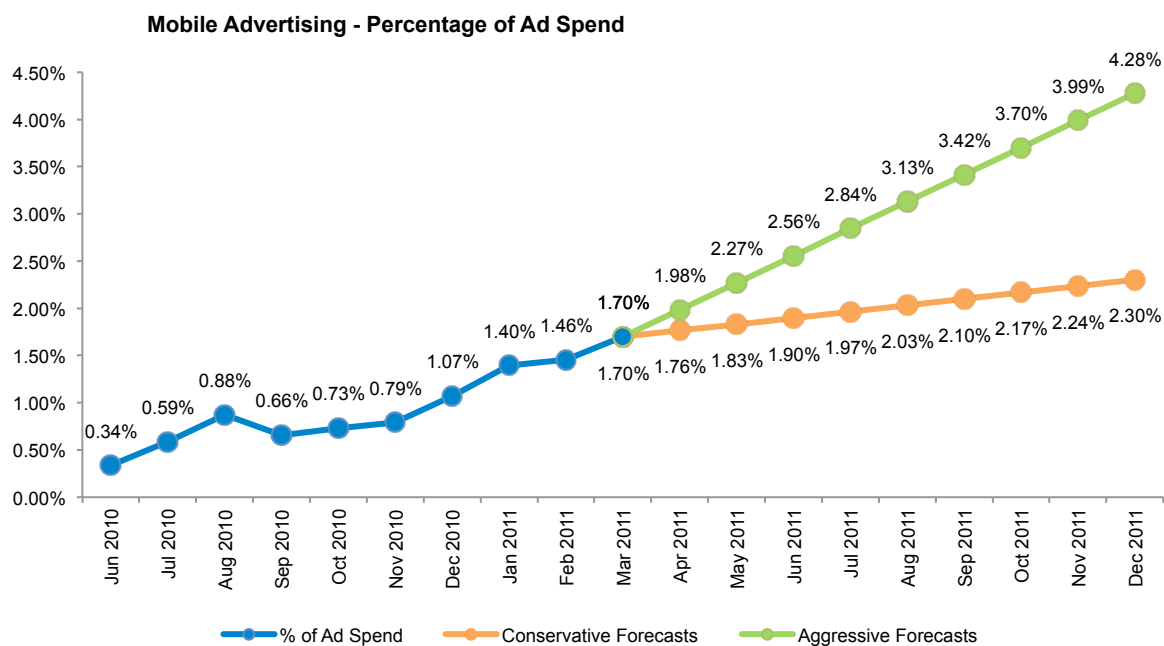
Executive Summary

Mobile advertising in the UK is growing at a rapid rate from 0.34% one year ago to 1.70% today and the growth is forecasted to continue. Mobile advertising has lower cost per click and conversion rate but higher click-through rate than desktop. Some of the distinct top search terms on mobile are related to evaluation tools, urgency and cheap deals.

Note: In the current analysis of mobile advertising trends, Efficient Frontier considers a representative sample of advertisers from a wide range of verticals in the UK.

Rapidly Growing Mobile Advertising Spend

Advertisers took up mobile advertising at a rapid rate in the last year. In June 2010, mobile advertising spend accounted for 0.34% of the search spend; three quarters later in March 2011, this rose to 1.70% - a 5-fold increase. The percentage of search spend allocated to mobile advertising could rise to up to 4.3% by the end of the year. This reflects more advertisers have decided to invest on this increasingly popular search channel and have found it value-adding to continue to do so.



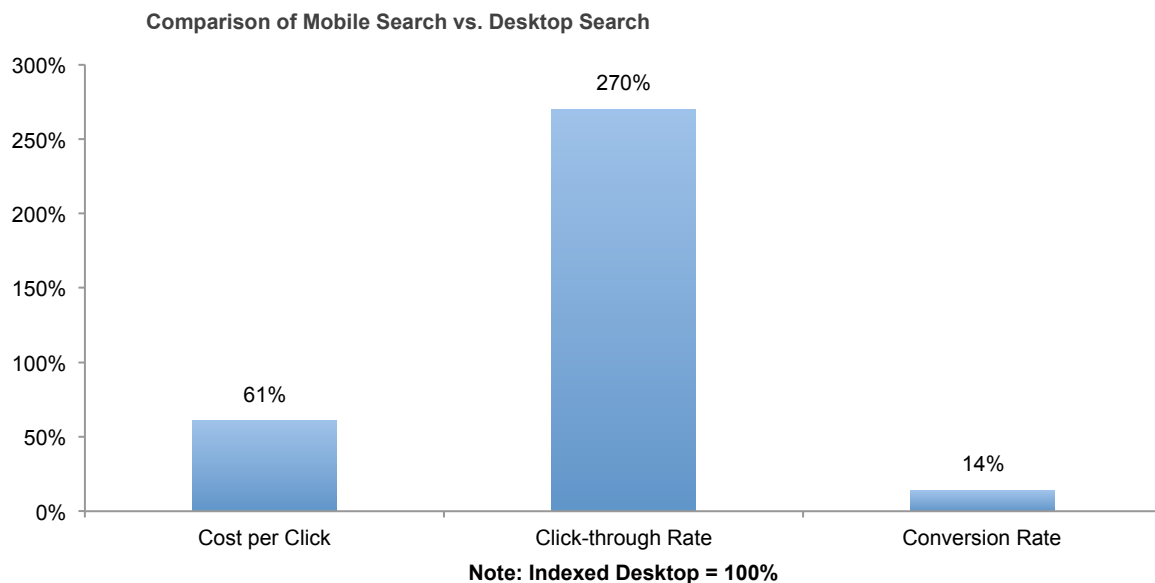
60% of Desktop Cost per Click

For the majority of advertisers, the cost per click (CPC) of mobile advertising is lower than that of desktop CPC. Mobile CPC is approximately 60% of desktop CPC on average. However, the difference between mobile CPC and desktop CPC varies widely between and within verticals – ranging between mobile CPC being twice as much as desktop CPC to desktop CPC being almost 4 times as much as mobile CPC. This indicates how advertisers are using mobile advertising for different purposes – some aiming to maintain brand presence while others manage their mobile advertising spend based on ROI. In contrast, our research in the US found that average CPC on mobile is greater than desktop, possibly due to the importance placed on mobile as a branding medium. Nevertheless, wide variation was also found across advertisers in the US, as in the UK.



Three Times the Click-Through Rate of Desktop

Most advertisers have experienced greater click-through rate (CTR) on mobile advertising than desktop advertising. On average mobile CTR is 2.7 times as much as desktop CTR. Similar to CPC, the difference between mobile and desktop on CTR varies greatly between advertisers. The mobile CTR ranges from 5 times the desktop CTR to about 90% that of desktop CTR. The higher CTR on mobile may be because mobile advertising is only beginning to expand in the UK therefore the advertisers who are active on mobile advertising can capture more searches with the relatively low competition on mobile.



Lower Conversion Rate than Desktop

In contrast to CTR, the conversion rate of mobile advertising is lower than that of desktop advertising with an average of 14%. This pattern is consistent across advertisers but the extent varies from mobile conversion rate being less than 5% to almost 80% that of desktop conversion rate. With mobile being a relatively new medium of purchase, this level of relative conversion rate is a promising start for the future growth in conversions on these devices.



Mobile Search Keywords – Tools, Urgency and Cheap

Although most of the top keywords (by impressions and clicks) on mobile and desktop are similar, we have observed certain types of keywords may be found in the top ranking keywords for mobile but not necessary for search – tools, urgency and cheap. If the advertiser offers evaluation tools on their sites, such tools may become top keywords on mobile searches. Also, there are more top mobile keywords implying urgency or related cheap deals. This is understandably a result of consumers searching for information on the road or for unplanned events.

There are no significant differences in keyword lengths or character lengths between mobile and desktop searches. Therefore if an advertiser would like to start investing in mobile advertising, they might begin by using the same set of keywords as they have done in desktop search. If there is budget constraint, advertisers are recommended to choose the top performing keywords on desktop search. If the advertiser's site has calculator tools or their products include last-minute or discount deals, relevant keywords should be bid on as well.

Recommendations

- Advertisers should start or continue to invest in mobile advertising as the rapid growth in the recent quarters and the promising conversion rate reflect it being a value-adding advertising channel.
- The lower cost per click and high click-through rate of mobile advertising means that mobile could also be a highly effective branding medium.
- Apart from the usual top performing keywords, ensure keywords associated with evaluation tools, urgency and cheap deals are included in the mobile advertising campaigns.

