

The Q4 2014 Performance Marketer's Benchmark Report:

Vital Search, Social & Display Performance Data
by Device





Introduction

The holiday season is typically the high point of the year for many advertisers. Historically, Q4 has been the quarter when the overwhelming majority of the year's sales are done and advertisers spend accordingly to capture as much consumer attention as possible. As such, we decided to take a look at the Marin Global Online Advertising Index to understand how device and platform performance have shaped up over the past quarter.

Methodology

To understand device and platform performance for Q4 2014, we sampled the Marin Global Online Advertising Index, which looks at over \$6 billion worth of spend in the Marin platform. The Index primarily consists of enterprise-class marketers – larger advertisers and agencies who spend in excess of \$1 Million annually on paid-search, display, social, and mobile. As such, our data sample and findings skew towards the behavior of larger organizations and more sophisticated advertisers.

We examined this data longitudinally year-to-date and measured key performance indicators (KPIs) on a quarter-over-quarter (QoQ) basis. Wherever possible, we used medians and indexed values to more clearly highlight overall trends instead of overall values. This allows us to mitigate the effects of outliers and make the findings more representative of the performance of the typical Marin client.

Key Takeaways

1. Understanding and using search intent data can lead to cost-efficiency. Search intent data can be used to effectively target social and display ads, which have much lower CPCs than search ads, leading to lower cost per conversion.
2. Conversion attribution on mobile devices continues to be a sticking point for advertisers.
3. Mobile marketing performance metrics are reaching parity with desktops in many key areas, making mobile an important area for many advertisers to continue investing in.

Consumer Behavior

When we look at device share across search, social, and display, we see a few interesting trends come into play. Once again, smartphone usage has gone up QoQ across all platforms. Consumers are buying and using mobile devices now more than ever, driving over 50% of all social activity.¹ Comscore notes that consumers are spending 1-out-of-3 minutes of all online browsing time on mobile devices² and that activity is only expected to increase. This is especially prevalent among younger demographics. A recent report revealed that among adults 18 to 24, 70% of all retail content is viewed from a mobile device.³ From Q1 to Q2 2014, mobile activity grew 19%, with smartphones growing 27.8%. Conversely, desktop activity dropped 5.5%.⁴ All this signals a shift in consumer behavior from desktops to smartphones and tablets, with an emphasis on cross-device viewing.

Advertiser Response

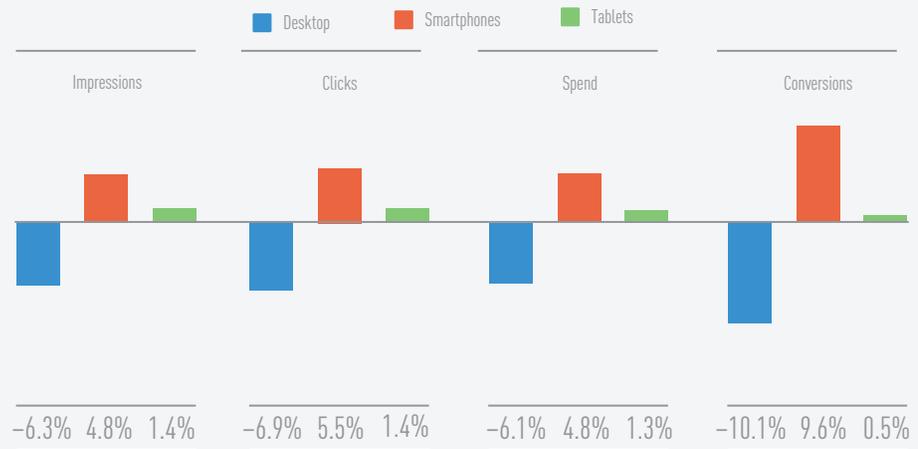
So how successfully have advertisers predicted consumer device behavior for Q4 of this year? We took a look at our data to understand just how consumer behavior has changed advertiser spend across the globe. Unsurprisingly, the shift away from desktop devices towards mobile devices has continued, with smartphone and tablet devices capturing more and more consumer attention, especially with the Q4 releases of many flagship devices.

We've seen mobile device (smartphones and tablets) share continue to increase significantly over the past year, with smartphone adoption and usage driving the majority of the growth. Year-over-year (YoY), desktops have lost 6.3% of click share, mostly to smartphones, which grew 4.8%. Advertisers spent nearly 50% of their search budget on mobile devices, even though mobile conversions make up only ~30% of all search conversions. This suggests that advertisers still have issues with mobile attribution, as well as converting a mobile search click to a mobile conversion. As mentioned in our last report, many mobile clicks may convert into in-store purchases,⁵ or may be saved as a reference for a later at-home purchase on a desktop. Interestingly, while smartphone spend outpaces smartphone clicks and conversions, we see the converse on tablet devices, which make up only 8.4% of ad spend, but over 15% of clicks and 13% of conversions.

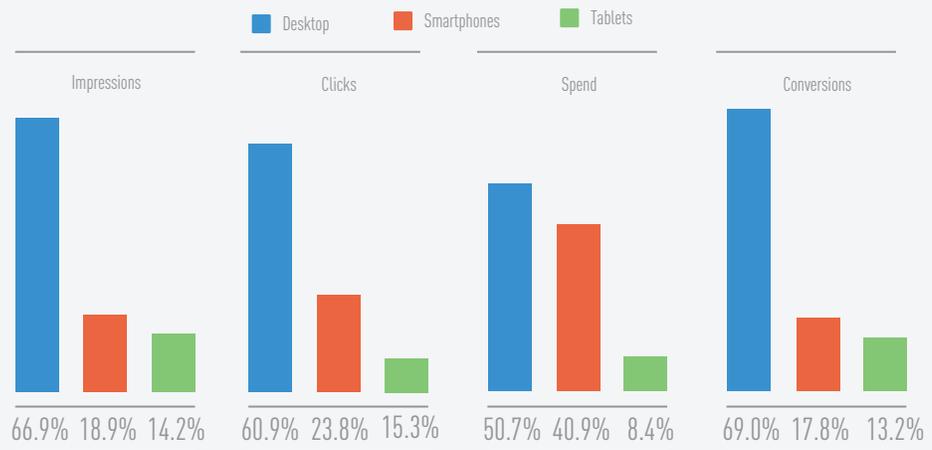
1. http://www.iab.net/media/file/ShareThis_CSTR_July2014.pdf
2. <http://www.comscore.com/Insights/Presentations-and-Whitepapers/2013/2013-Mobile-Future-in-Focus>
3. <http://www.millennialmedia.com/blog/2014/12/a-cross-screen-carol-a-holiday-look-at-retail-on-mobile/>
4. <http://www.matomy.com/6821/understanding-the-shift-in-search-behavior-desktop-to-mobile-2>
5. <http://adwords.blogspot.com/2013/02/understanding-full-value-of-mobile.html>



Search Advertising Share by Device: Year over Year Change

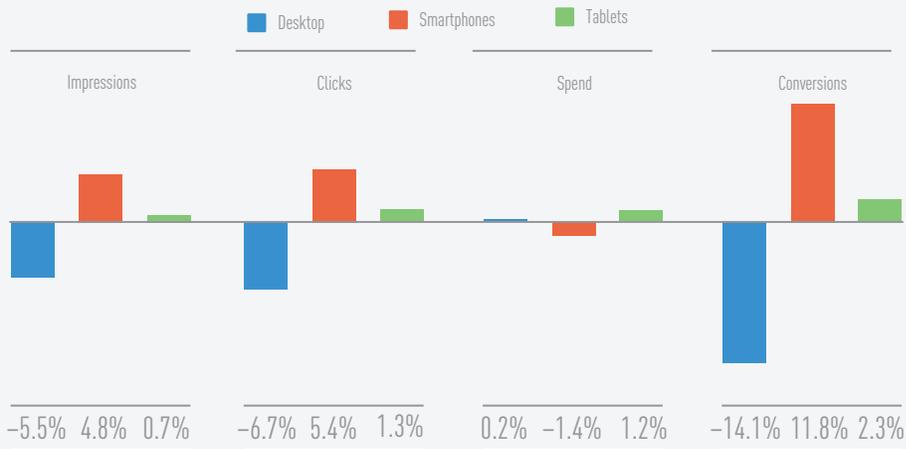


Search Advertising Share by Device: Q4 2014

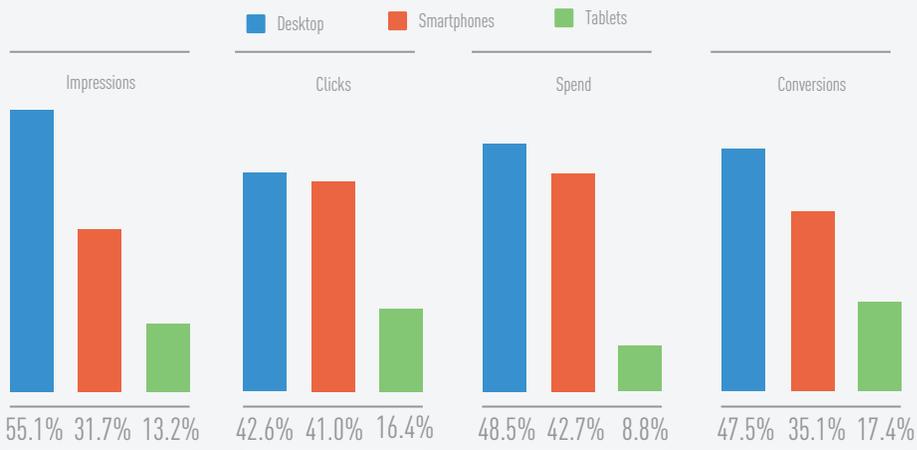


Display shows behavior similar to that of search. YoY, smartphone growth has been even more extreme for display than search. Interestingly, smartphone spend share actually fell slightly from last year; there is a much heavier mobile device focus for display than there is for search. Almost half of all display spend in Q3 was on mobile devices, and also made up over half of clicks. Much like last quarter, there is a discrepancy between smartphone and tablet spend versus clicks, where tablet clicks outpace tablet spend, and vice versa for smartphones.

Display Advertising Share by Device: Year over Year Change

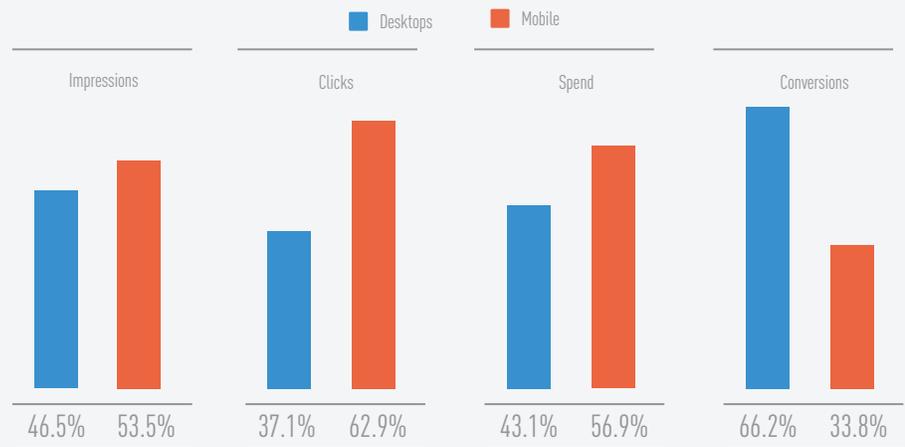


Display Advertising Share by Device: Q4 2014



Once again, social networks dominate on mobile, making it very different from typical search behavior. Over 50% of all social impressions, clicks, and spend are centered on mobile devices. However, conversion behavior is still mostly desktop-focused, with 65% of all social conversions happening on a desktop computer. In fact, social mobile conversion share is less than display smartphone conversion share, even though mobile click and spend share for social are far greater than what it is on display.

Social Advertising Share by Device: Q4 2014

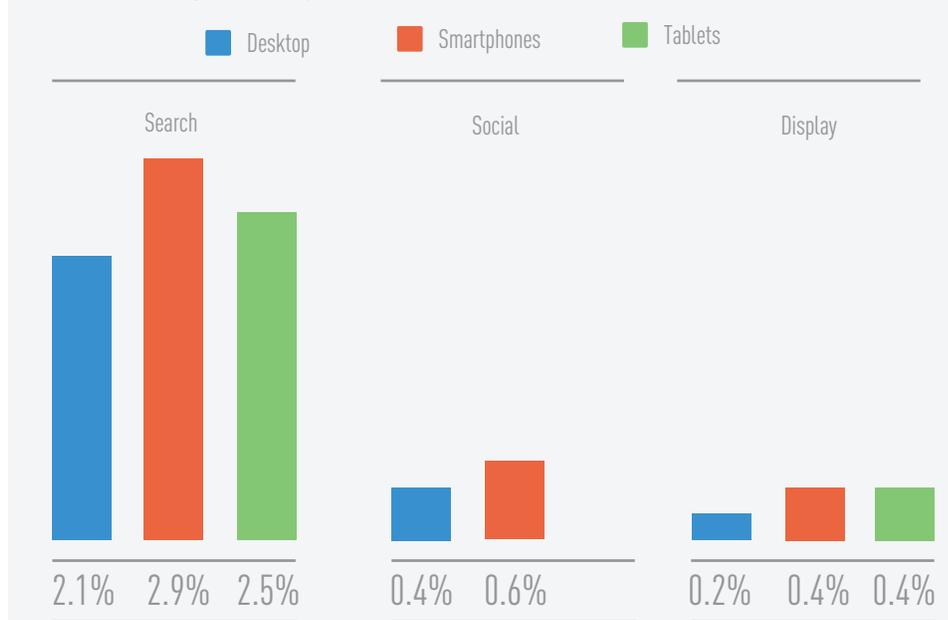


Results

So what did this all mean for advertisers during the holiday season? We decided to take a look at click-through rates, cost-per-click, and conversions rate to understand how the bottom line has been affected for advertisers.

When we look at click-through rate across platforms, we see very similar trends across search, social, and display. Mobile devices consistently have the highest click-through rates, indicating that mobile devices, especially smartphones, capture the majority of consumer engagement. Search remains the clear leader in click-through rate, with social and display lagging behind sharply. This is in-line with historic trends; social and display CTRs have always been significantly behind search. This is partly due to consumer behavior when each ad-type is used. When consumers are served display ads or social ads, their primary goal is typically not to seek out a product or service. Therefore, they are unlikely to interact with paid ads, unlike when they are browsing a SERP, where they are actively searching for a particular item. While click-through rates this quarter rose compared to last quarter, this was across the board and most likely due to the holiday season and the consumerism inherent within this period.

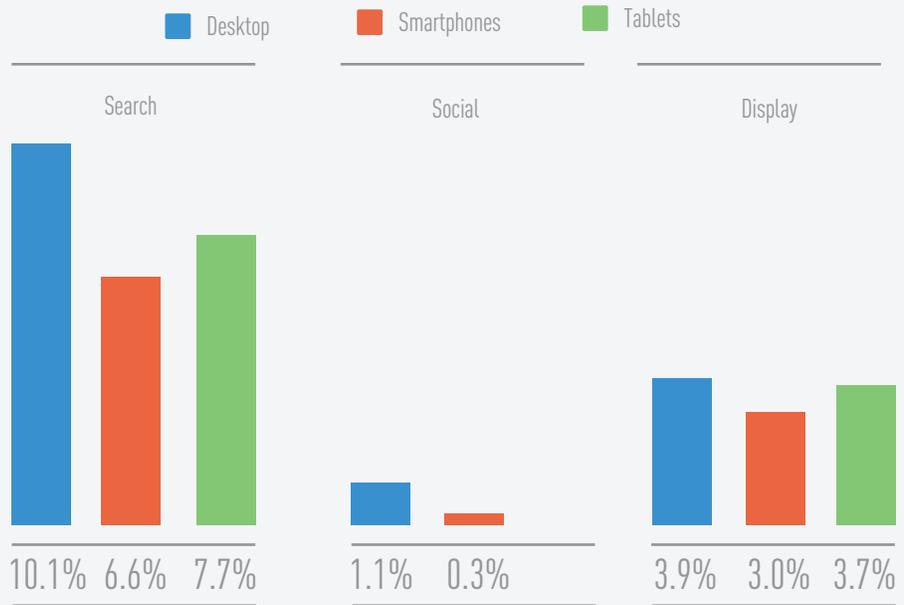
Click-through Rate by Device and Platform: Q4 2014



Q4 conversion rates are on an inverse relationship with click-through rates. While CTRs are lowest on desktops, conversion rates are much higher on desktops compared to mobile devices. Consumers are simply more willing to complete the purchase when on a desktop PC than when on a mobile device. Again, this is partly due to consumer behavior; consumer intent on smartphones differs from intent on desktops. Consumer intent when using smartphones often involves tasks such as research, checking item availability, browsing reviews, or planning an in-store visit – all of which may not directly lead to an online conversion. In addition, the relative ease of converting on desktop versus mobile devices likely plays an important role in higher desktop conversion rates. Attribution on mobile devices remains much more difficult for marketers to quantify and track, and thus, has remained a challenge for many. While there is growth for mobile conversions over the past few quarters, there is still a lot of room for improvement.

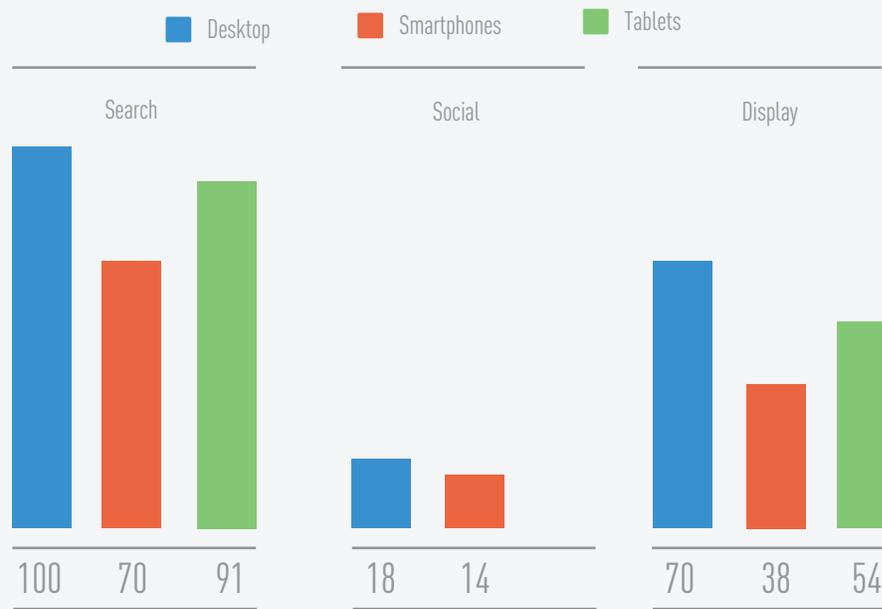


Conversion Rate by Device and Platform: Q4 2014



Unsurprisingly, cost-per-click closely mirrors the conversion rate behavior above. Desktops have the highest cost-per-click across search, social, and display, and mobile devices lag behind, perhaps due to lower conversion rates. We see tablet search CPC once again mirror that of conversion rate, reversing the trend we saw in Q3 2014, where tablet search CPC dipped below that of smartphone search CPC.

Cost-per-Click by Device and Platform: Q4 2014



*normalized to desktop search CPC

Conclusions

It is clear that desktops have remained the most used tool for online conversion. However, mobile devices have been on the forefront of consumer and advertiser attention, with huge portions of ad spend and consumer time moving away from desktops towards smartphones and tablets. Consumer behavior varies drastically by platform and understanding the intersection between channel and device is crucial for the smart marketer to reach their audience and guide them towards conversion.

Marketers are continuing to take advantage of the mobile reach and engagement that social platforms have, while leveraging the relatively higher conversion rates on desktops and search. Properly utilizing each platform and device to their relative strengths proved crucial to marketers during this holiday season.



Advertisers must also continue to closely examine their mobile campaigns in order to improve their conversion tracking. As mentioned before, mobile clicks can translate to in-store visits, phone calls, or later desktop conversions. Until an advertiser can properly attribute these conversions back to the initial mobile click, it will be difficult to definitively measure the number of mobile conversions and the effectiveness of their mobile campaigns. Across the board, there is a disparity in mobile spend versus conversion share, and understanding where conversions are coming from can help an advertiser correctly allocate spend to where it drives the most revenue.

Online advertising will only continue to shift across both channel and device as the marketplace becomes more saturated with smartphones and tablets globally. Cross-device shopping is also becoming more prevalent alongside the growth of mobile devices and marketers would do well to understand the way consumers interact across these devices. With tools like Marin Software to help advertisers understand cross-channel and device performance, it becomes easier for advertisers to find crucial opportunities in this ever-changing space to reach and engage their audience.