KENSHOO ™

2012
U.S. Online Retail
Holiday Shopping Report

E A R L Y   E D I T I O N

**Covering Search Advertising
Trends in the United States**

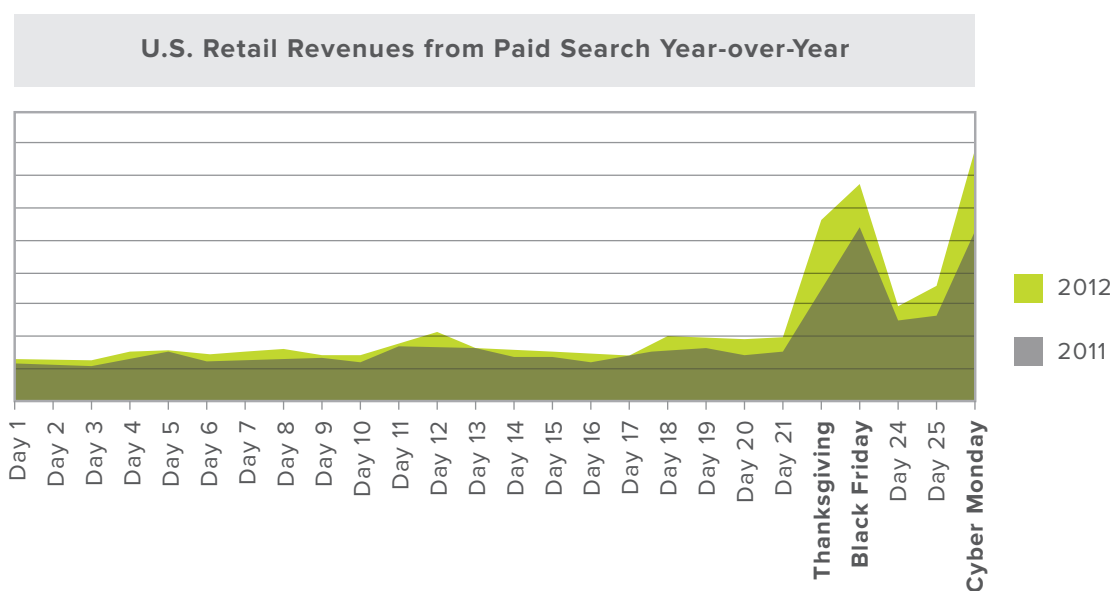Updated through Cyber Monday

Release Date: December 7th, 2012

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KEY INSIGHTS

2012 revenues driven by paid search up 25% YoY, spurred by big days on Thanksgiving and Cyber Monday

Total sales revenues driven by paid search for the 2012 holiday season to date have been quite strong, up 25% from last year. Thanksgiving saw increased year-over-year (YoY) revenues of more than 60% to further close the gap with Black Friday, a trend that we have seen for three consecutive years. Cyber Monday is still the biggest online sales day followed by Black Friday and then Thanksgiving, but we expect Thanksgiving to surpass Black Friday for the #2 spot in the next few years if the trend continues.

U.S. Retail Revenues from Paid Search Year-over-Year

Source: Kenshoo 2012 U.S. Online Retail Holiday Shopping Report: Early Edition

Increases in 2012 U.S. Retail Revenue from Paid Search on Key Dates Year-over-Year

Source: Kenshoo 2012 U.S. Online Retail Holiday Shopping Report: Early Edition

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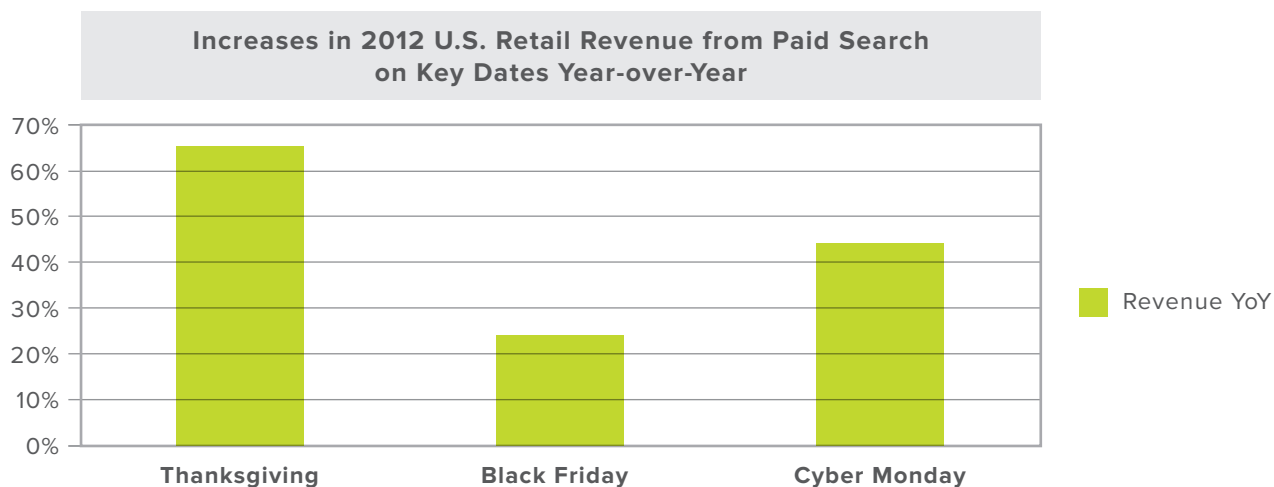
Thanksgiving Day saw the highest average order value, topping $150, as consumers loaded up their shopping carts

Online consumers in the U.S. were most likely shopping before they finished their Thanksgiving dinners. The average order value on Thanksgiving Day this year was higher than any other day during the holiday shopping period to date and up 19% YoY.
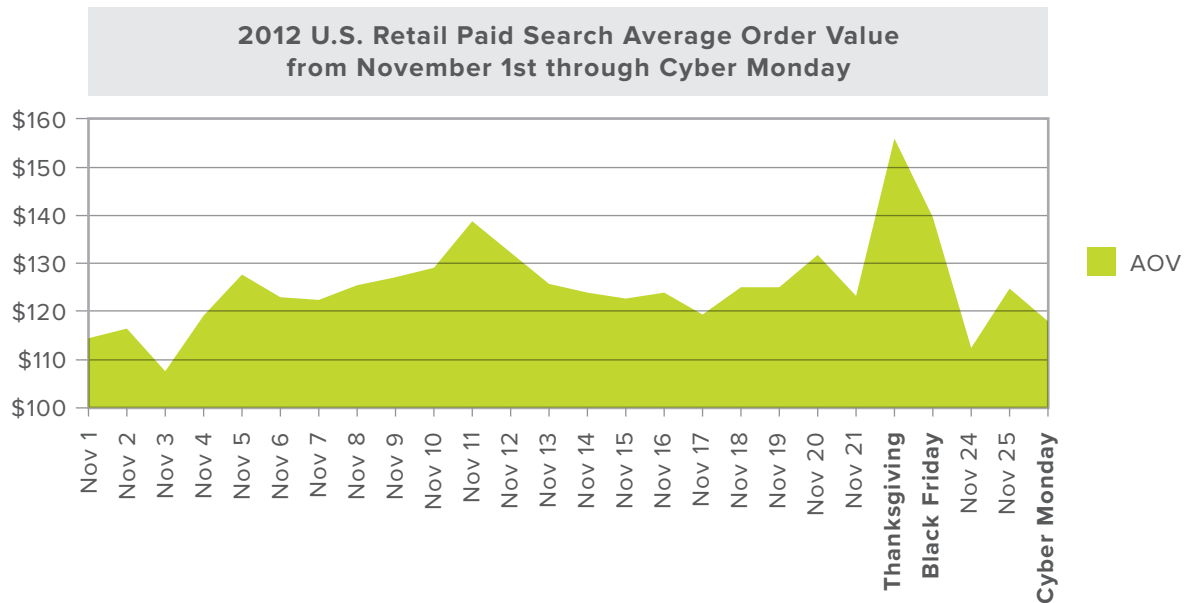
2012 U.S. Retail Paid Search Average Order Value from November 1st through Cyber Monday

Source: Kenshoo 2012 U.S. Online Retail Holiday Shopping Report: Early Edition

Changes in 2012 U.S. Retail Paid Search Average Order Value Year-over-Year for Key Dates
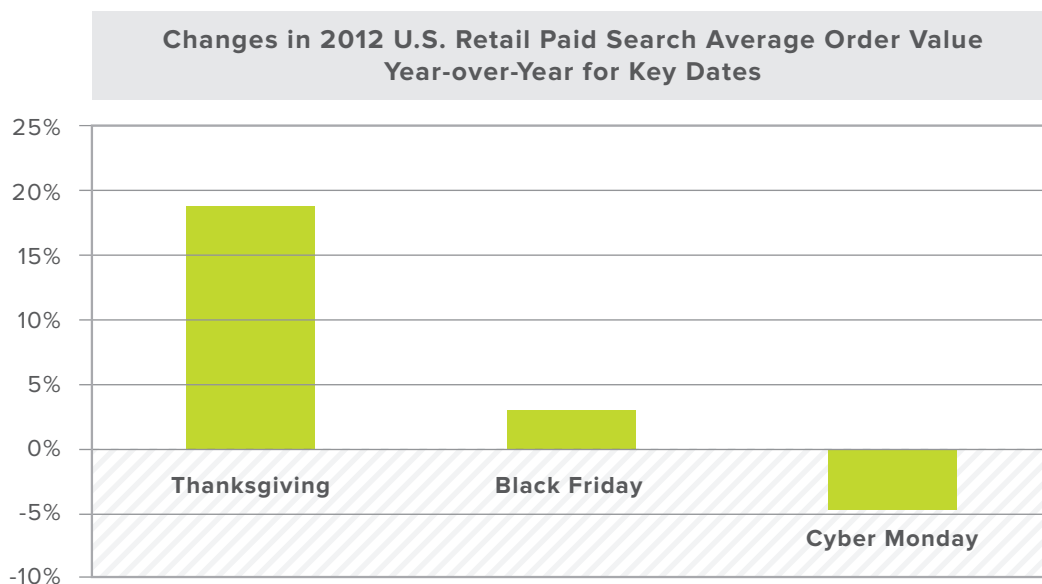
Source: Kenshoo 2012 U.S. Online Retail Holiday Shopping Report: Early Edition

Cyber Monday delivered the biggest increases in YoY impressions, clicks, and ad spend reflecting heightened consumer interest and search marketing activity

Even while loading up their baskets on Thanksgiving Day, consumers made sure to keep some extra cash on hand for Cyber Monday deals. Meanwhile, search marketers made a big push to reach customers on the biggest online shopping day of the year. In 2012, Cyber Monday drove the heaviest search traffic of the holiday period, with a 66% YoY increase in search ad impressions and 57% lift in clicks. This virtuous cycle of supply and demand was fulfilled as paid search ad spend was up 51% YoY for Cyber Monday 2012.

U.S. Retail Holiday Season Paid Search Impression Volume Year-over-Year

Legend: 2012, 2011
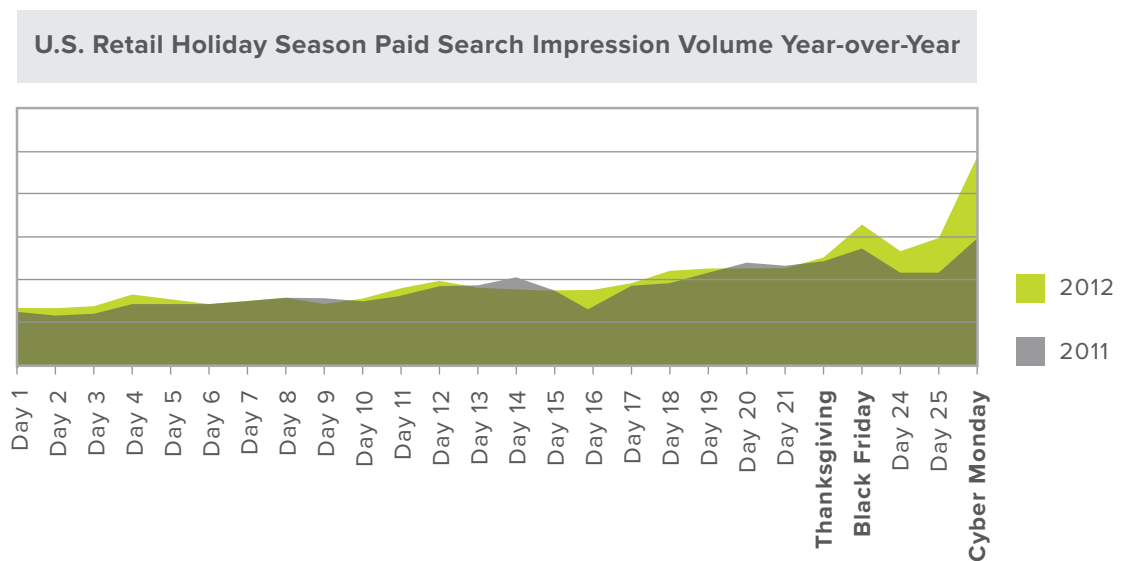
Source: Kenshoo 2012 U.S. Online Retail Holiday Shopping Report: Early Edition

U.S. Retail Holiday Season Paid Search Click Volume Year-over-Year
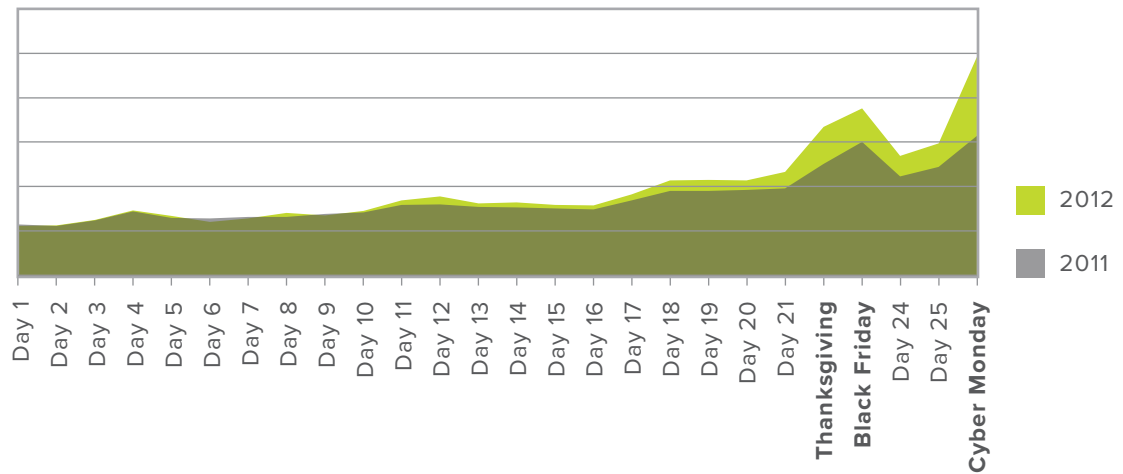
Source: Kenshoo 2012 U.S. Online Retail Holiday Shopping Report: Early Edition

Increases in 2012 U.S. Retail Paid Search Impressions and Clicks on Key Dates Year-over-Year
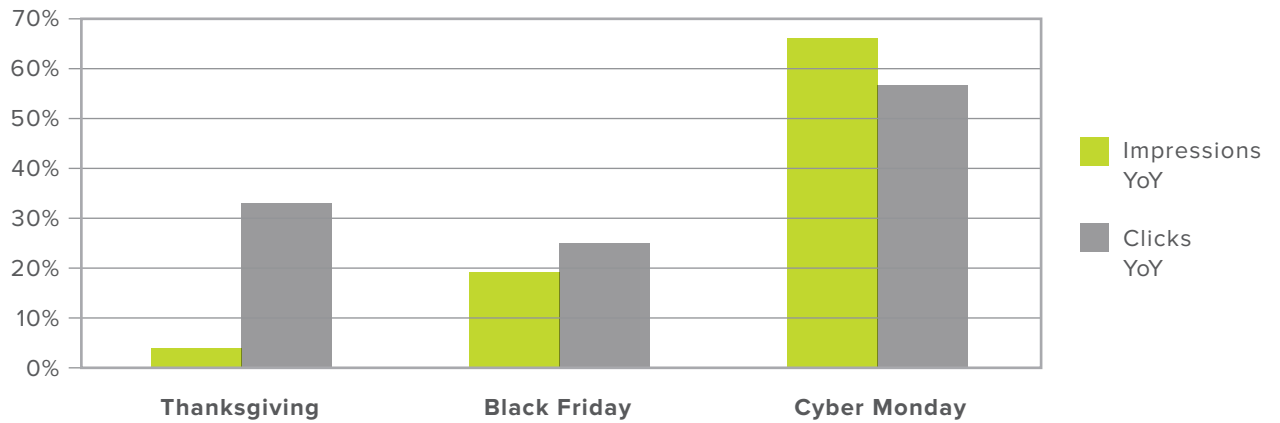
Source: Kenshoo 2012 U.S. Online Retail Holiday Shopping Report: Early Edition

Increases in 2012 U.S. Retail Paid Search Ad Spend Year-over-Year

Source: Kenshoo 2012 U.S. Online Retail Holiday Shopping Report: Early Edition

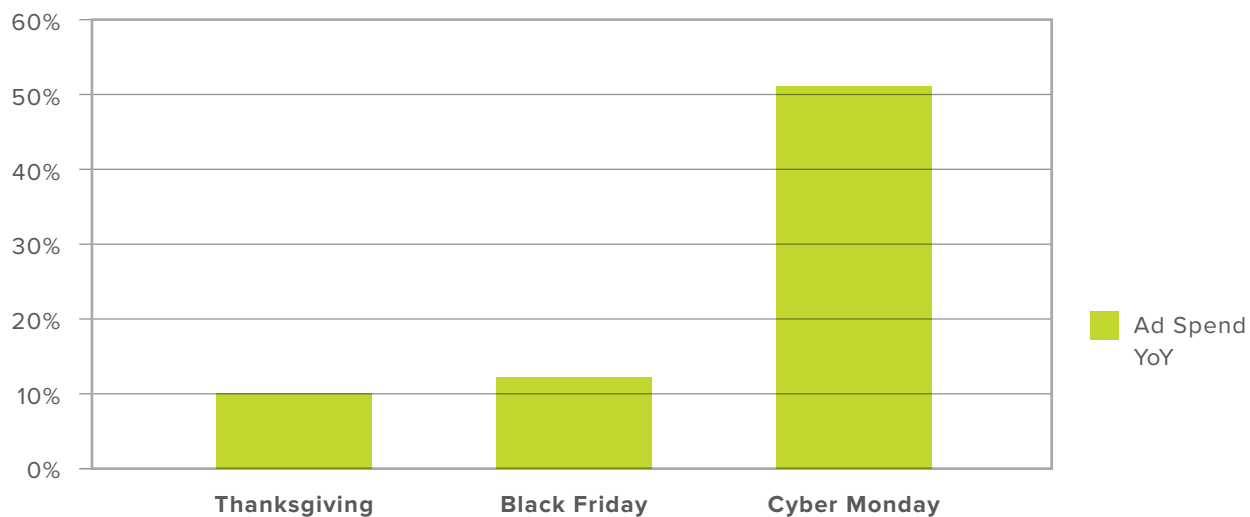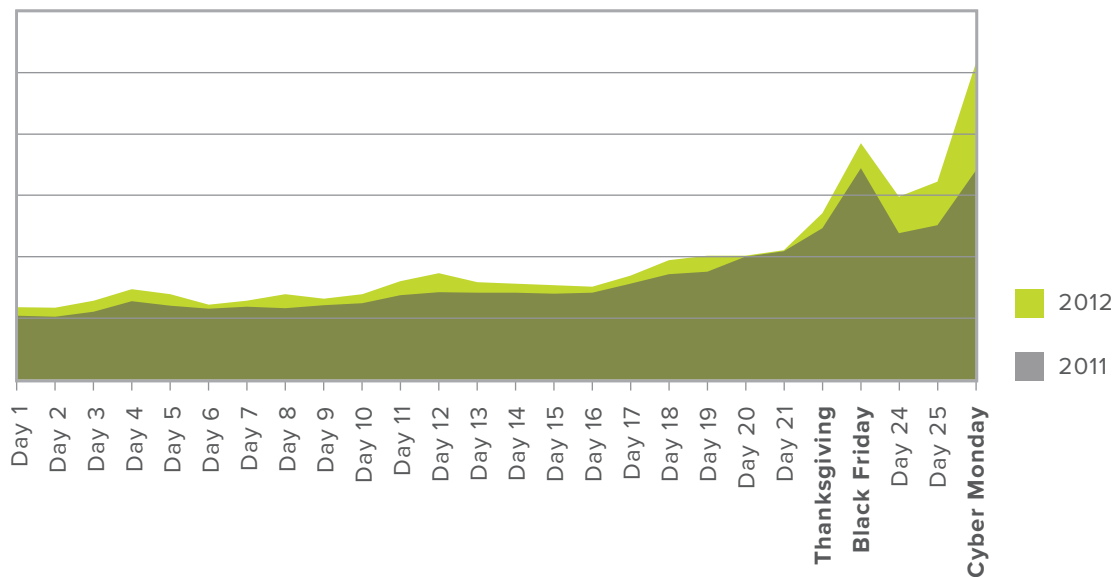## U.S. Retail Paid Search Ad Spend
November 1 through November 26 Year-over-Year

Source: Kenshoo 2012 U.S. Online Retail Holiday Shopping Report: Early Edition

Overall paid search campaign effectiveness increased for the holiday season to date with conversion rates and return on ad spend showing strong growth YoY

For the entire period, Return on Ad Spend (ROAS) from paid search was 8% higher this year over last, and Conversion Rates were up 10% as advertisers improved campaign quality. Low average CPC and high Average Order Values combined to drive ROAS on Thanksgiving above the $10 mark, 72% higher ($10.30) than the holiday season average of $5.99.

Many retailers likely didn't anticipate such large cart sizes on Thanksgiving Day as they had increased their ad spend by only 10% YoY on that date. The result: Average cost-per-click (CPC) dropped to $0.40 on Thanksgiving, the lowest so far of the 2012 holiday season and about 20% below the $0.49 average CPC for the period.

2012 U.S. Retail Key Paid Search Quality Metrics					
	Click-through Rate	Cost Per Click	Return on Ad Spend	Conversion Rate	Average Order Value
Nov. 1–Nov. 26, 2012	1.95%	$ 0.49	$ 5.99	2.32%	$126.83

Source: Kenshoo 2012 U.S. Online Retail Holiday Shopping Report: Early Edition
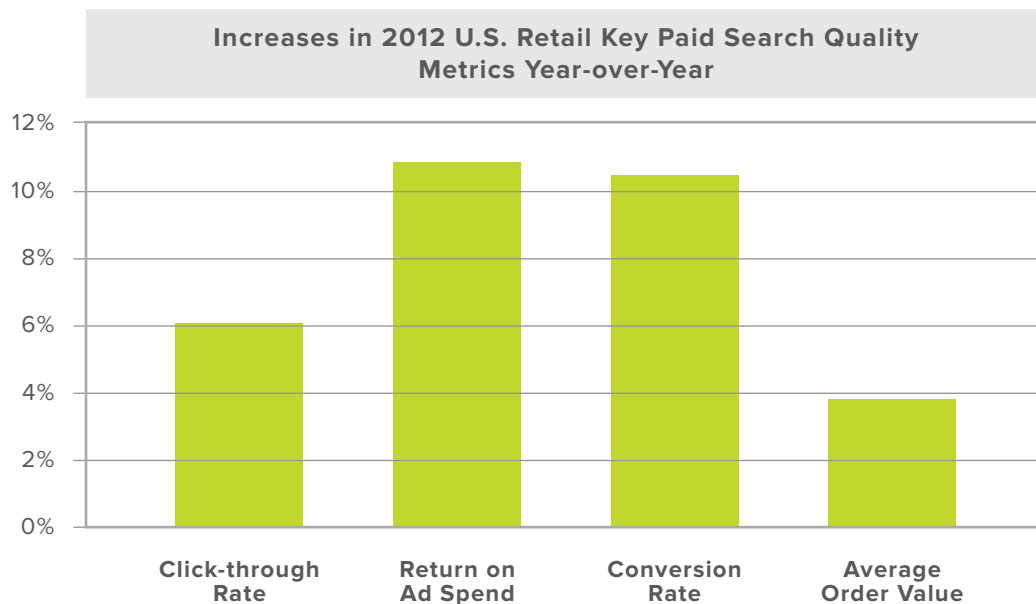
Increases in 2012 U.S. Retail Key Paid Search Quality Metrics Year-over-Year

Source: Kenshoo 2012 U.S. Online Retail Holiday Shopping Report: Early Edition

2012 U.S. Retail Paid Search Return on Ad Spend

Source: Kenshoo 2012 U.S. Online Retail Holiday Shopping Report: Early Edition

2012 U.S. Retail Average Paid Search Cost-per-Click for Holiday Season to Date

Average Cost-per-Click
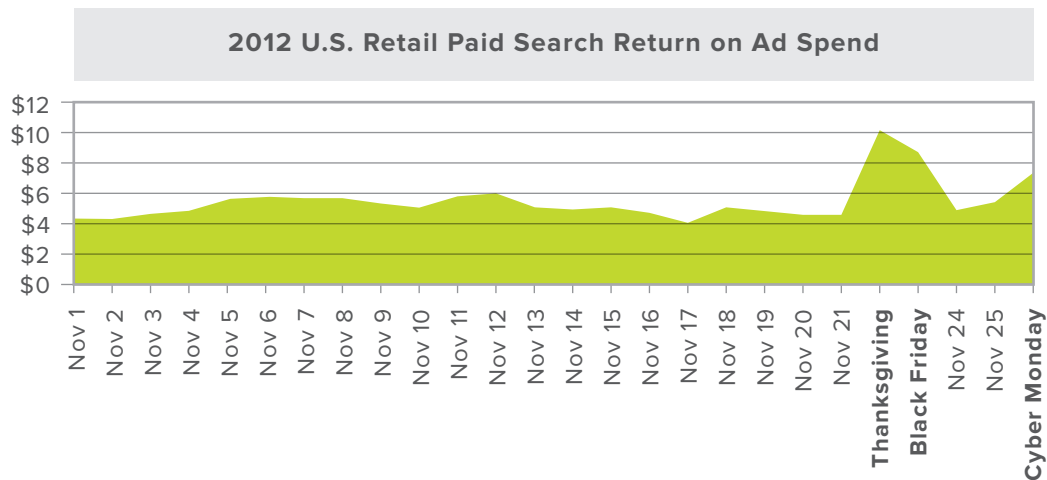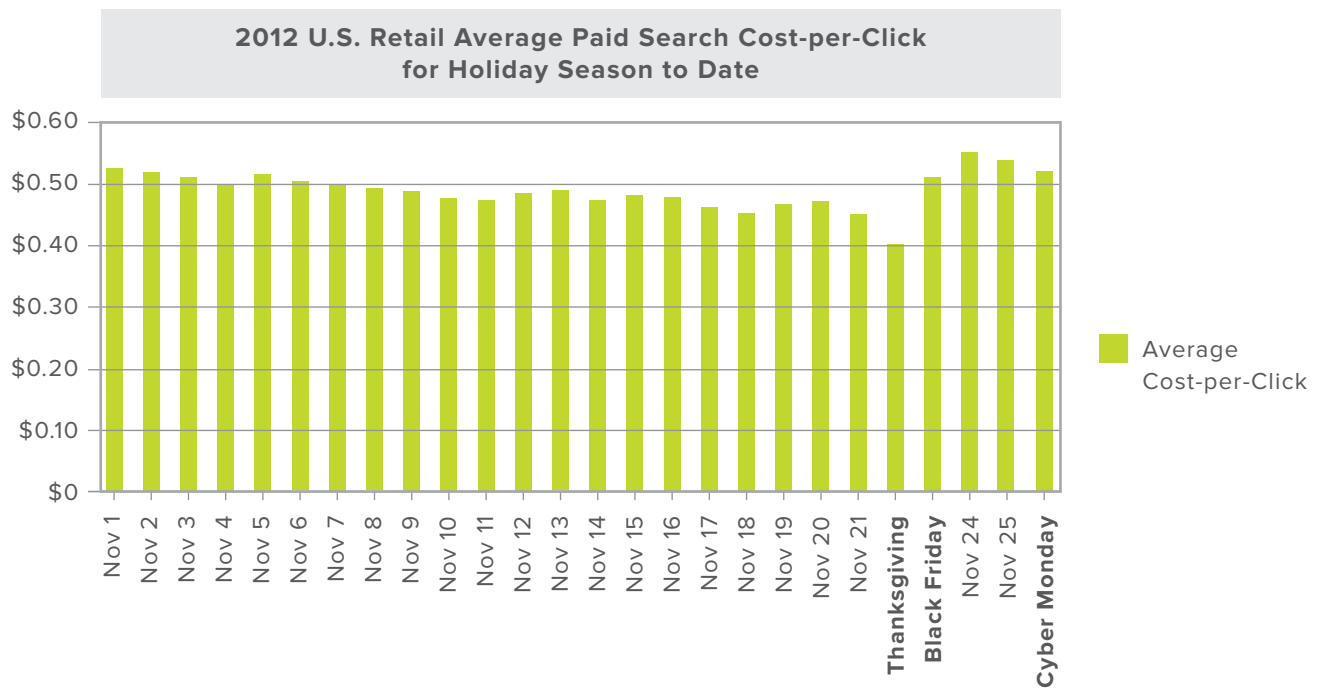
Source: Kenshoo 2012 U.S. Online Retail Holiday Shopping Report: Early Edition

MOBILE AD PERFORMANCE

In the Kenshoo 2011 U.S. Online Retail Holiday Report, computers accounted for 85.5% of paid search clicks during the holiday retail season. This year, that number has fallen to 72% as phone and tablet usage captured more than 27% of all clicks. The share of clicks this year for phone rose to almost 19% during the holiday season as consumers were quick to pull out their hand-held devices to search. However, the quality of mobile clicks remains behind tablets and computers with phones logging the lowest average order value and accounting for only 2% of online sales revenue.

Tablets scored the highest average order value of all device types but the conversion rate of ads displayed on tablets still lags behind computers. Computers still accounted for more than 90% of the total revenues even as budgets this year were spread among the different devices.

2012 U.S. Retail Paid Search Key Metrics – Breakdown by Device

	Share of Clicks	Share of Sales Revenue	Share of Ad Spend
Computer	72.38%	90.36%	79.50%
Phone	18.97%	1.81%	11.84%
Tablet	8.65%	7.84%	8.66%

	Cost-Per Click	Conversion Rate	Average Order Value
Computer	$0.49	3.18%	$125.47
Phone	$0.28	0.28%	$ 106.88
Tablet	$0.44	2.15%	$135.01

Source: Kenshoo 2012 U.S. Online Retail Holiday Shopping Report: Early Edition

Note: Mobile data presented in this report is taken from a representative sample of campaigns in the overall Kenshoo U.S. retail index.

PRODUCT LISTING ADS

Google's Product Listing Ads (PLA) format is now the default in the U.S. for Google Shopping and provides prime location on the search results page and the inclusion of a product images. When compared to standard text ads triggered by keywords (excluding seasonal and brand campaigns) we see that PLAs shine. The chart below shows aggregate results for PLA ads compared to product-related keyword campaigns from the same advertisers. This comparison highlights the benefits of PLAs for product searches on Google. While the average order value and conversion rates for both types of ads perform soundly, the eye-catching PLAs draw a click-through rate (CTR) more than double regular text ads, resulting in an ROAS 36% higher. It is interesting to note that CPC remains low as there is currently less competition for PLAs than other ad formats which means there is still a huge opportunity for advertisers getting active with PLAs.

2012 U.S. Retail Google Product Listing Ads – Key Metrics

	Return on Ad Spend	Cost-per-Click	Click-through Rate	Average Order Value	Conversion Rate
PLA	$4.07	$0.41	2.58%	$107.53	1.55%
Product-Related Keywords	$2.99	$0.57	1.27%	$111.26	1.52%
Difference	35.94%	-27.65%	103.11%	-3.35%	1.76%

Source: Kenshoo 2012 U.S. Online Retail Holiday Shopping Report: Early Edition

Note: Product Listing Ads data is taken only from those retailers in the index who had active PLA campaigns and the comparison to standard search text ads is taken from this same subset of retailers as well. The product-related keyword campaign data is taken from keywords which relate to specific products (the same ones promoted via PLAs) and, thus, exclude the retailer brand and seasonal promotions.

IMPLICATIONS FOR ADVERTISERS

Look for fierce competition on key dates this season, particularly Green Monday and Free Shipping Day.

This year the surge in online shopping on Thanksgiving Day and Cyber Monday was even higher than expected, as consumers and advertisers capitalized on timely sales opportunities. Online consumers are getting savvier each year, and know how to look for special deals on key dates on the Web. The next two biggest dates on the online shopping calendar are Green Monday (defined as the Monday with at least 10 days prior to Christmas) and Free Shipping Day, which is the last day consumers can order goods in time to be delivered via the Free Shipping Option (December 17th in 2012).

Be prepared for these big days by scheduling bid increases in advance or making sure your keyword portfolios are calibrated with the right goals and budgets to accommodate the increased traffic. Having budgets set to "low" will limit your exposure on key dates as the search engines will deliver only enough traffic to meet your budgets even if your CTR is going strong and overall ROAS is running high.

Make sure your mobile strategy is in place and take advantage of tablet opportunities.

The statistics from our mobile section tell a very clear story when it comes to device usage and search engine advertising. Tablets and computers combine to drive 98% of the revenue from paid search marketing. A strategy that lumps together phone campaigns with tablet may short-change a large chunk of potential conversions. Leverage advanced tools to quickly create unique campaigns for each device and OS type and use customized keywords, ads, and landing pages to meet the perceived need of the searcher. Run segmentation reports to see how each device is performing as your results may vary from our benchmarks.

The million-dollar question for every retailer this year should be, "How can I best leverage paid search on phones?" Even though phones drive only 2% of direct online conversions in paid search marketing, almost 20% of clicks are now originating from these devices, inferring that mobile is an important channel in the research and decision-making process for consumers. Savvy marketers will assign value to proxy metrics such as store locator searches, product views, and check ins. Even savvy marketers will use specific calls-to-action and phone-optimized websites or apps to engage mobile shoppers.

Tap insights from top performing keywords to inform other marketing activity.

On important online shopping days, impressions and clicks for top keywords can increase by double-digit percentages. Generally speaking, keyword distribution follows the 80/20 rule in that 20% of your keywords will drive 80% of your traffic. The holiday season is no exception to this rule but the insights generated from the head of the curve can be very timely and actionable. For example, you may find that a new product is being searched and bought more often than anticipated and can leverage that for merchandising and promotions. Or you may see a certain concentration of queries in a geographic area that is ripe for some spot offline media buying.

Having automated reports scheduled to highlight the top performers from your campaigns can make it easy to automatically track your most valuable keywords. It's also a best practice to tag each of your keywords with dimensions (brand, color, size, geo, etc.) to see aggregate trends at a glance.

It's open season on PLAs. Are you in the hunt?

Product Listing Ads offer important benefits like prime real estate on search results pages, inclusion of pictures, and (so far) lower competition. The data from this report along with a recent study by Kenshoo (Kenshoo.com/PLA) found that PLA beat product-related keywords in a head-to-head comparison on key metrics like conversion rate, CTR, ROAS and had lower CPCs.

PLAs can also be advantageous for mobile campaigns as the picture format draws attention on smaller screens. PLAs also help to capture shoppers who are using their phones to compare prices while they shop at retail establishments.

Some of the most advanced retailers are already using PLAs, but it is not too late to get into the game. Simply upload your feed to the Google Merchant center and link it to your AdWords account through paid search platforms that offer PLA integration. Be sure to use custom bid policies for PLAs, though, as the mechanics of the auction are quite different from AdWords.

GLOSSARY

Click Through Rate $\textbf{CTR} = \dfrac{\text{Clicks}}{\text{Impressions}}$

Cost Per Click: $\textbf{CPC} = \dfrac{\text{Cost}}{\text{Clicks}}$

Return on Ad Spend: $\textbf{ROAS} = \dfrac{\text{Revenue}}{\text{Clicks}}$

Conversion Rate: $\textbf{CVR} = \dfrac{\text{Conversions}}{\text{Clicks}}$

Average Order Value: $\textbf{AOV} = \dfrac{\text{Revenue}}{\text{Conversion}}$

Black Friday	The Friday after U.S. Thanksgiving Day.
Budget	The amount of money an advertiser spends on their ads. See also "cost."
Click	When a potential customer clicks on an ad.
Conversion	An action taken by a customer to make a purchase or complete a retailer-defined goal after having been brought to the website by a paid search ad.
Cost and/or Cost Per Click	The amount of money retailers are changed when a potential customer clicks on a search ad. The tool cost of all clicks equals the budget.
Cyber Monday	The Monday following U.S. Thanksgiving.
Holiday Season	For this report, the period November 1, 2012 through November 26, 2012.
PLA	Product Listing Ads, a Google ad format that is linked to a product feed and contains an image.
Impressions	The number of times an ad is shown or the number of times a keyword triggers an ad to be shown.
Keyword	The word or words entered on a search engine that trigger an ad to be shown.
Revenue	Money earned by a retailer for their online sales driven by paid search.

METHODOLOGY

The data analyzed by Kenshoo reflects a representative cross-section of Kenshoo clients (advertisers and agencies) managing paid search programs for the retail vertical in the United States with active campaigns tracking impressions, clicks, conversions and revenue over the 12+ month period from November 1, 2011 through November 26, 2012. This index includes all major retail categories such as, but not limited to, electronics, books, apparel, appliances, shoes, sporting goods and more. All data is accurate as of November 27, 2012 but subject to change as delayed conversions continue to accrue.

The holiday season, as defined for this report, includes the 26 day period covering the 21 days leading up to Thanksgiving plus the 5 days through Cyber Monday. In 2011, this reflects the calendar dates November 3-28 and, in 2012, this reflects November 1-26. The data set covers 10+ billion paid impressions and clicks on search engines like Google, Yahoo!, and Bing that delivered more than $500 million dollars in online sales revenues during the November periods. Final figures and YoY analyses will be released in the full Kenshoo 2012 U.S. Retail Holiday Shopping Report, available in early January.

Mobile data presented in this report is taken from a representative sample of campaigns in the overall Kenshoo U.S. retail index. Product Listing Ads data is taken only from those retailers in the index who had active PLA campaigns and the comparison to standard search text ads is taken from this same subset of retailers as well. The product-related keyword campaign data is taken from keywords which relate to specific products (the same ones promoted via PLAs) and, thus, exclude the retailer brand and seasonal promotions.

ABOUT KENSHOO

Kenshoo is a digital marketing technology company that engineers premium solutions for search marketing, social media and online advertising. Brands, agencies and developers use Kenshoo Enterprise, Kenshoo Local and Kenshoo Social to direct more than $25 billion in annual client sales revenue. The Kenshoo Universal Platform delivers automation, intelligence, integration and scale to make better marketing investments. With campaigns running in more than 190 countries for nearly half of the Fortune 50 and all 10 top global ad agency networks, Kenshoo clients include CareerBuilder, Expedia, Facebook, KAYAK, Havas Digital, Hitwise, iREP, John Lewis, LendingTree, Resolution Media, Sears, Starcom MediaVest Group, Tesco, Travelocity, Walgreens, and Zappos. Kenshoo has 16 international locations and is backed by Sequoia Capital, Arts Alliance and Tenaya Capital. Please visit www.Kenshoo.com for more information.

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