

DIGITAL MARKETING 
QUARTERLY TRENDS REPORT

Q3 2018

October 18, 2018



Your Host

Chris 'Coz' Costello

- Senior Director of Marketing Research
- chris.costello@kenshoo.com
- [linkedin.com/in/notabbott](https://www.linkedin.com/in/notabbott)
- @notabbott



Agenda

- Industry Insights
- Market Trends
- Emerging Channels
- Holiday Preview
- Methodology
- Q&A



Webinar Information

- All attendees are in listen-only mode
- Please submit any questions via the Q&A button on the panel at the bottom
- Sound issues? Participants can access audio via the telephone or computer mic & speakers
- Please email lily.rotter@kenshoo.com if you are experiencing any issues





Industry Insights

The Big Picture

Core Search and Social trends are stable as marketers prepare for the fourth quarter

Newer entrants to the digital marketing space established themselves and made a strong case for their value to marketers

Adoption and growth of product-oriented ads across paid search, paid social, and ecommerce-specific publishers clearly delineate the essential pillars for digital marketers heading into the Q4 holiday season

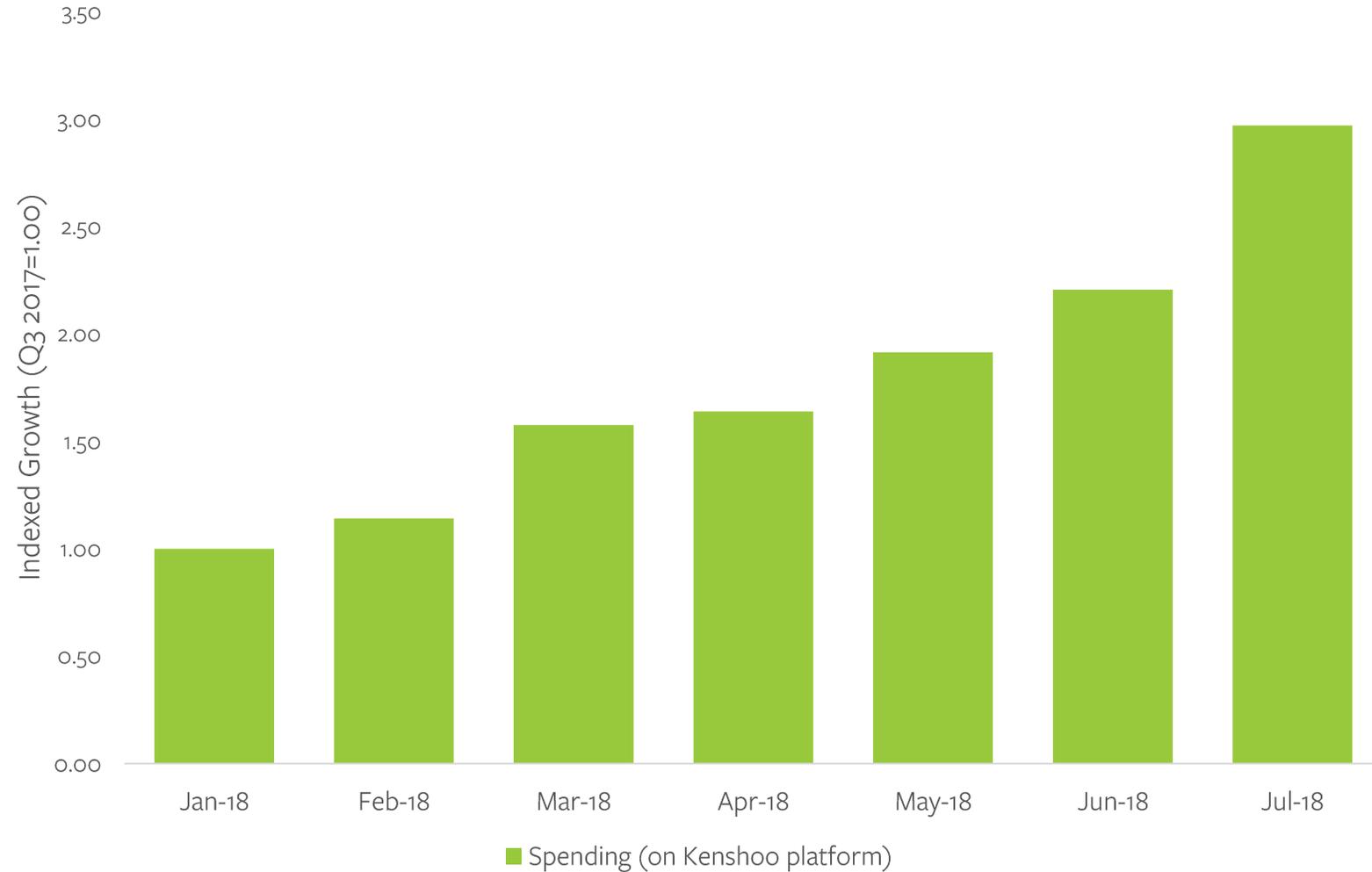


ECOMMERCE

Ad Spending on Ecommerce Continues to Grow

Ecommerce Channel advertisers have tripled monthly spending on the Kenshoo platform from January through July of this year

This comes from a combination of new entrants to the space and increased spending from existing brands



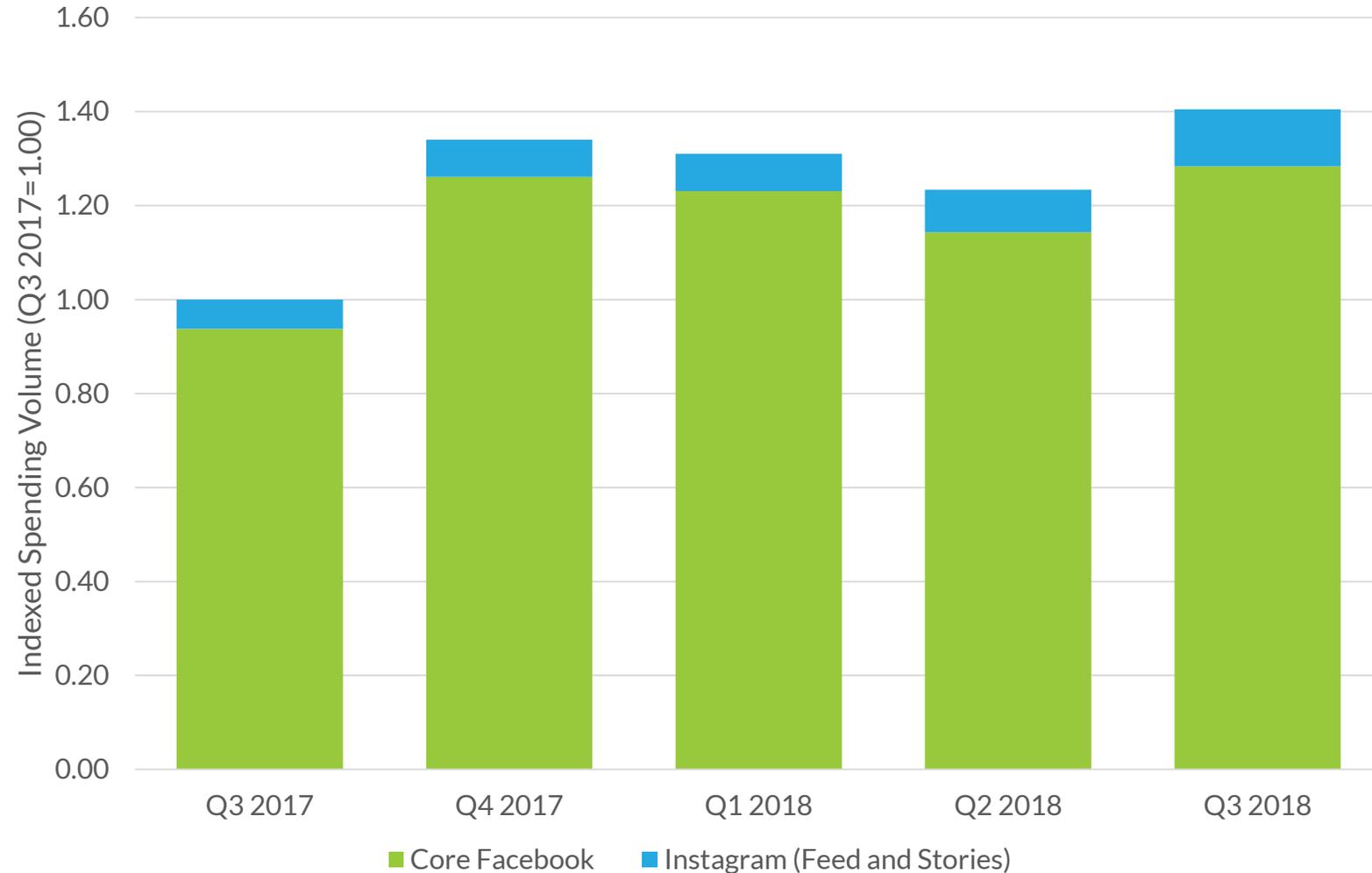
SOCIAL

Instagram Just One Piece of Social Growth

Instagram spending grew at a faster rate year-over-year (+94%) than core Facebook (+37%)

The photo-sharing platform comprised 9% of total social ad spending across the two properties in Q3

Overall social growth remained steady at +40% YoY



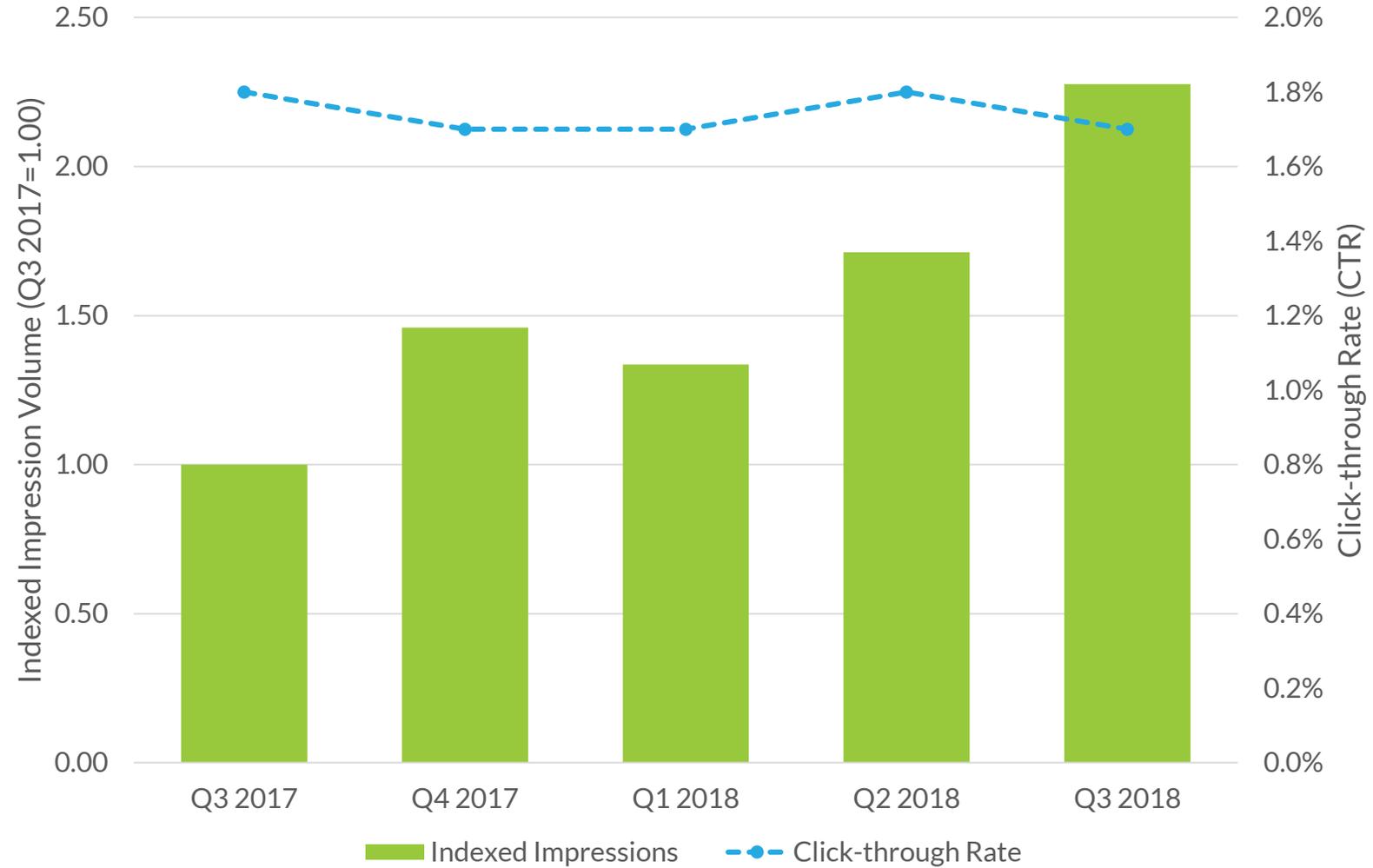
SEARCH

Mobile Shopping Performing at Scale

Mobile Shopping Campaign impressions more than doubled YoY

While this flood of inventory has put negative pressure on click prices, click-through rate has stayed remarkably stable

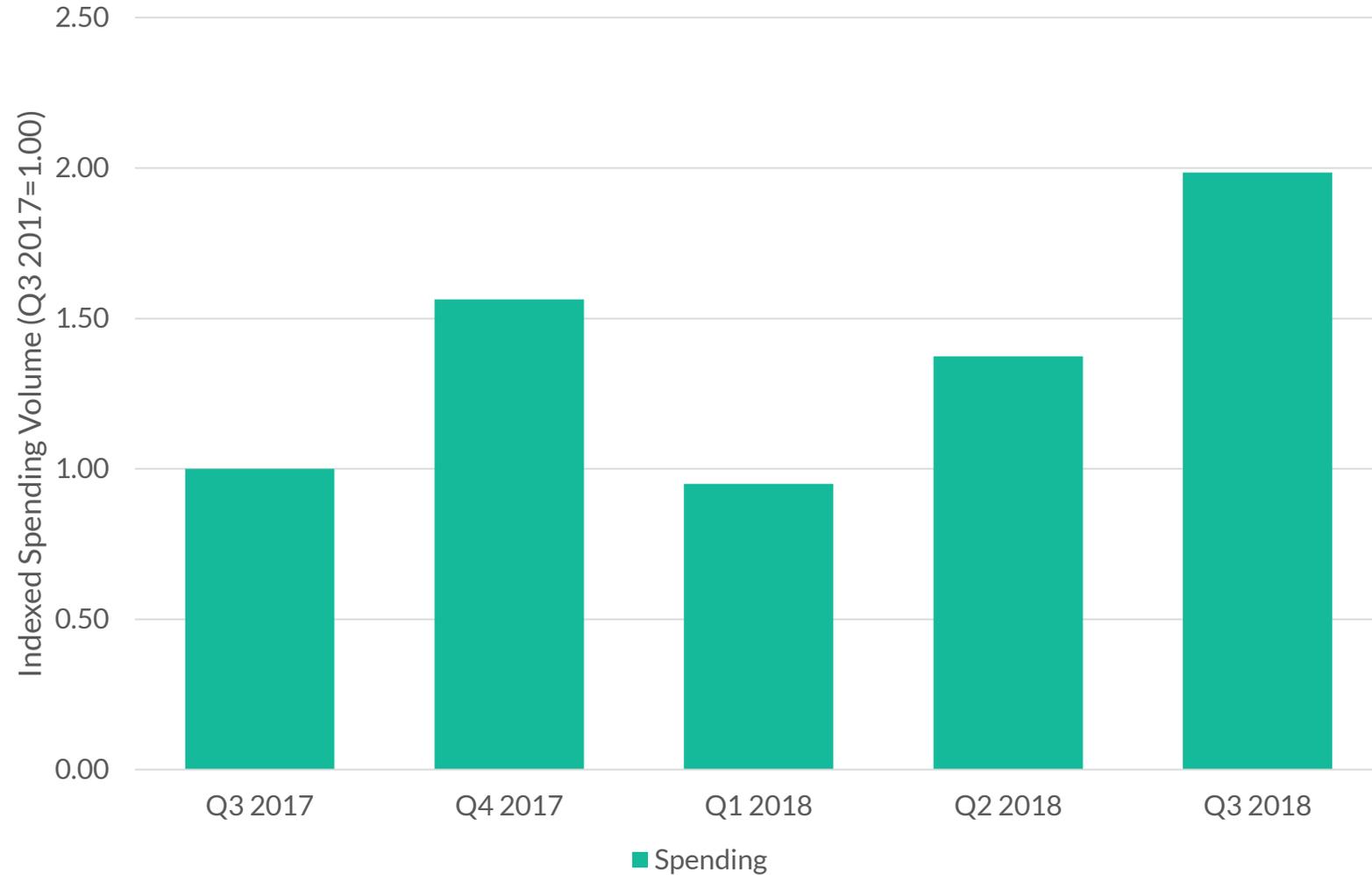
This presents an opportunity for ecommerce and retail marketers



PINTEREST

Strong Seasonal Effects Look to Return

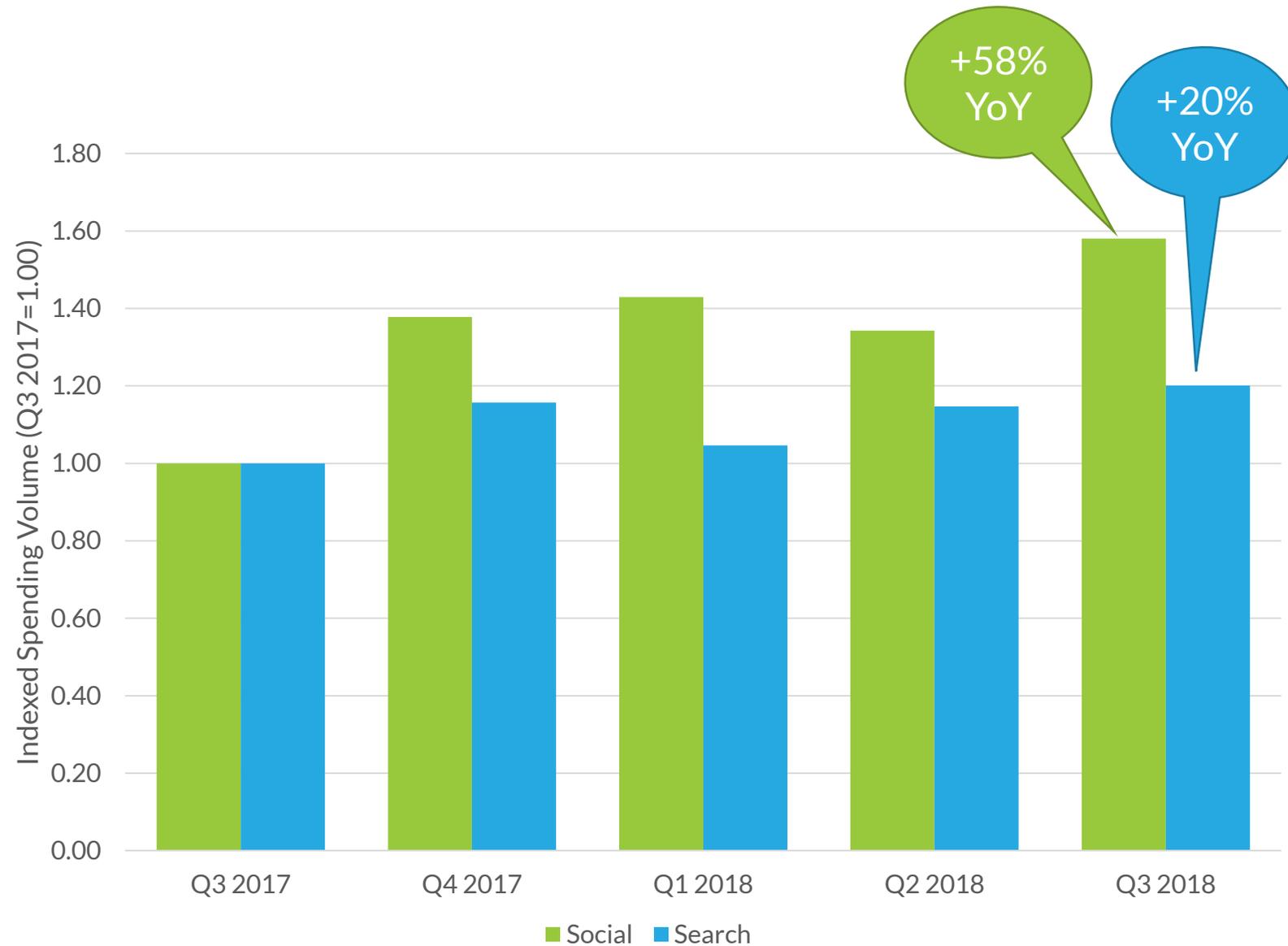
Pinterest spending in Q3 actually exceeded its previous high in Q4 of last year, setting the stage for another strong seasonal increase



CROSS-CHANNEL Mobile Trends

Mobile ad spending continued to grow faster than desktop spending for both Search and Social marketers

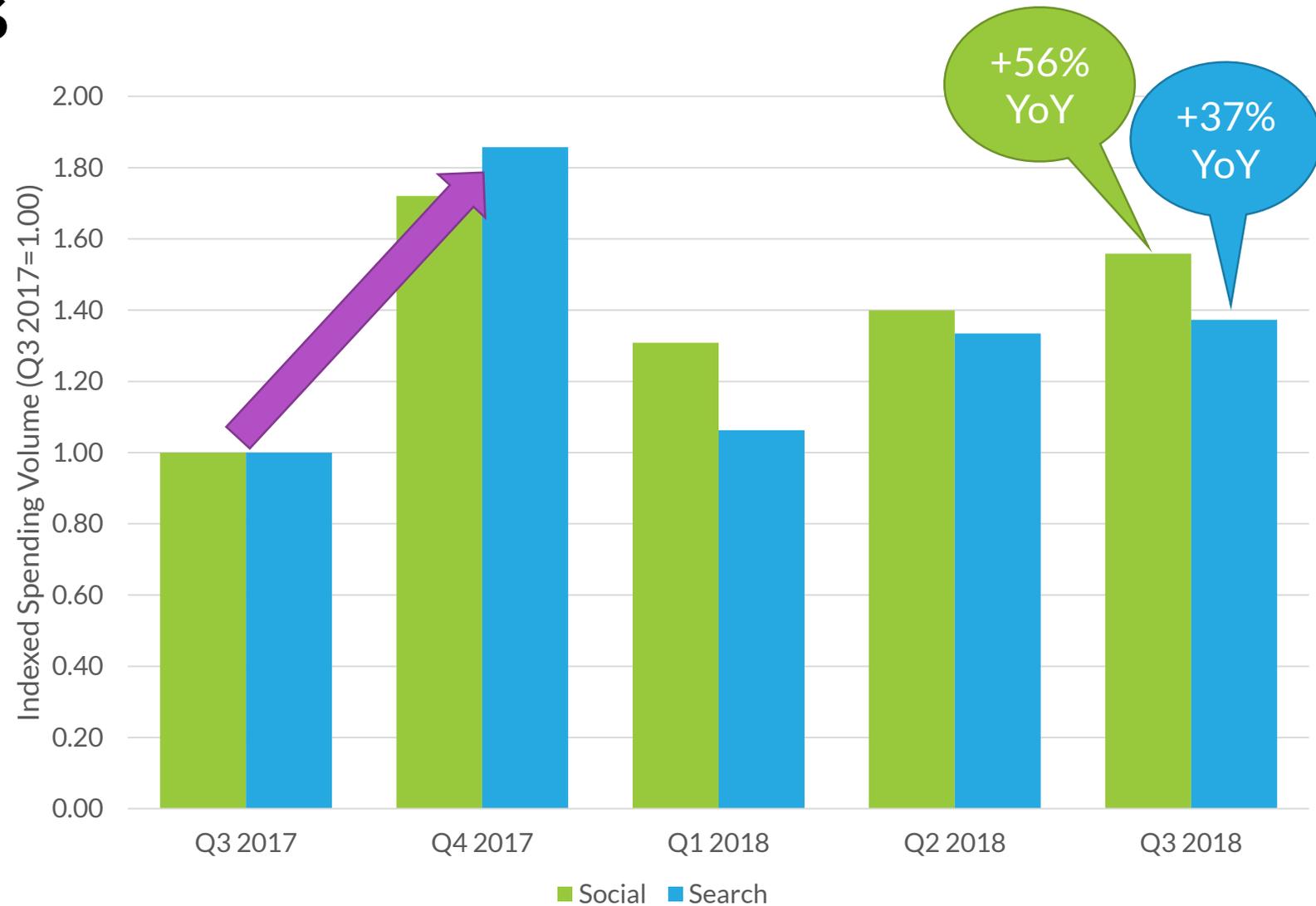
Ads on smartphones made up 81% of all social ad spending, and half of all search spending



CROSS-CHANNEL Product Ad Trends

Product Ads continue to grow faster than average across channels

Based on last year, retail marketers can expect quarterly spending increases of over 70% as we enter the holiday season in Q4





Market Trends

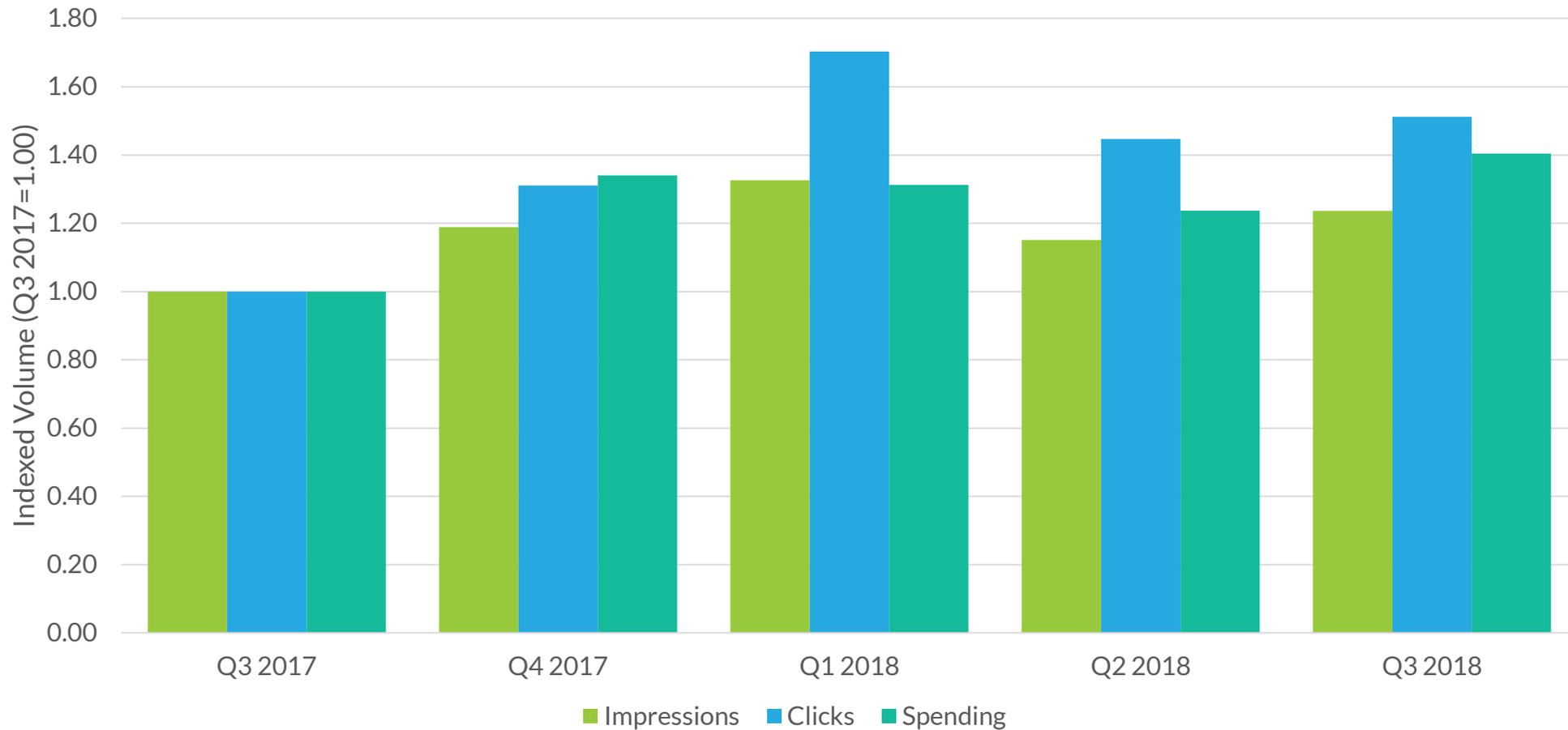
Social

Q3 2018



Social Trends

Social Volume Growth



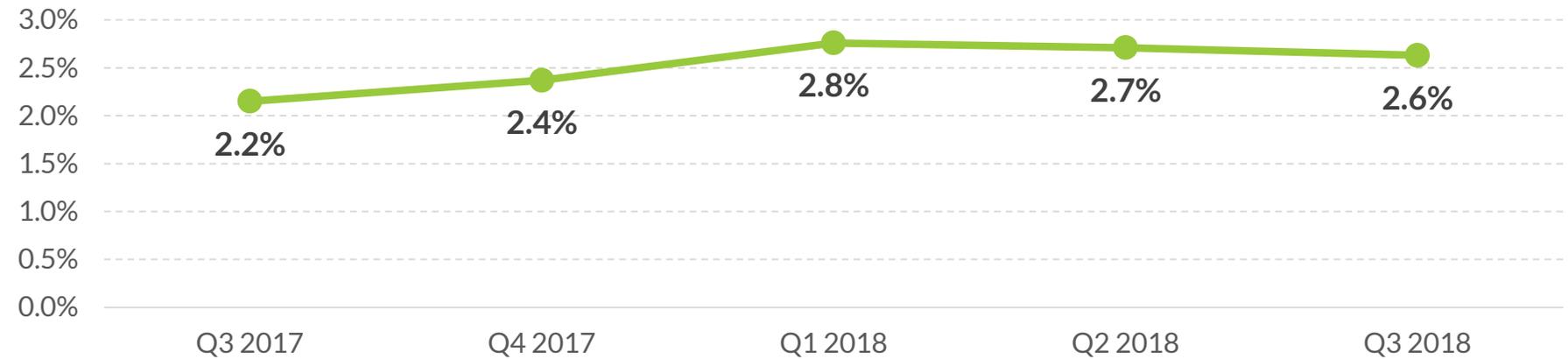
QoQ	YoY
Impressions	
+7%	+24%
Clicks	
+5%	+51%
Spending	
+12%	+40%



Social Trends

QoQ	YoY
Click-through Rate	
-3%	+22%
CPM	
+6%	+14%

Click-through Rate (CTR)



Average Cost per Thousand Impressions (CPM)



Social Summary

Social ad spending grew 12% compared to Q2, while year-over-year growth was +40%, identical to last quarter

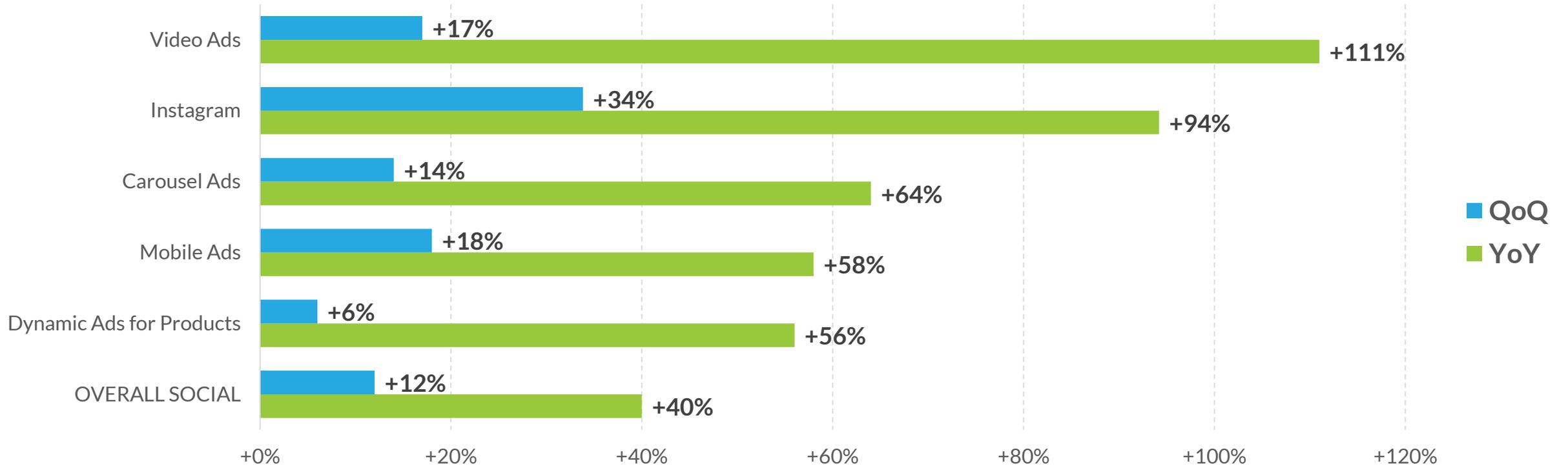
Instagram and Video ads (which are overlapping categories) were the biggest drivers of year-over-year growth for the quarter

Dynamic Ads for Products showed steady growth over the past three quarters in advance of an expected bigger jump in Q4



Key Drivers for Social Growth

Social Spending YoY Growth by Segment

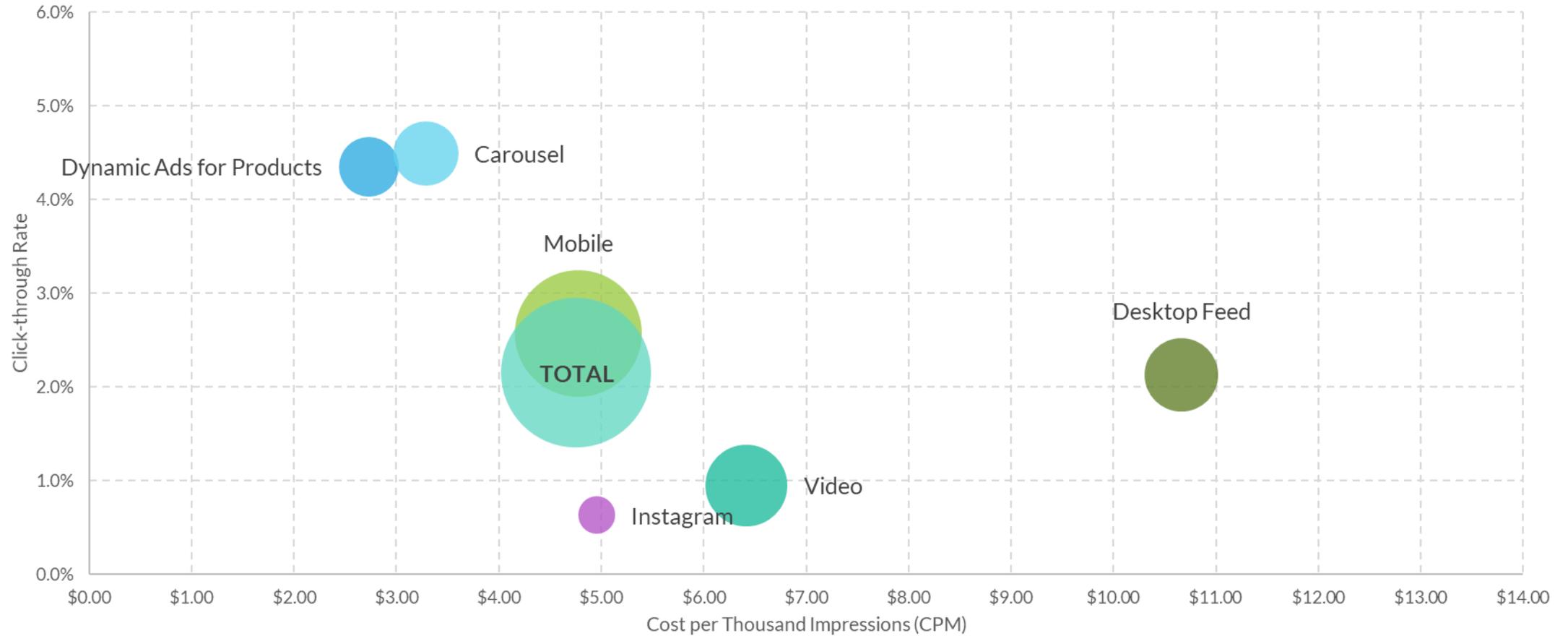


Video ads saw the greatest YoY spending growth, while Instagram scored the biggest jump since last quarter



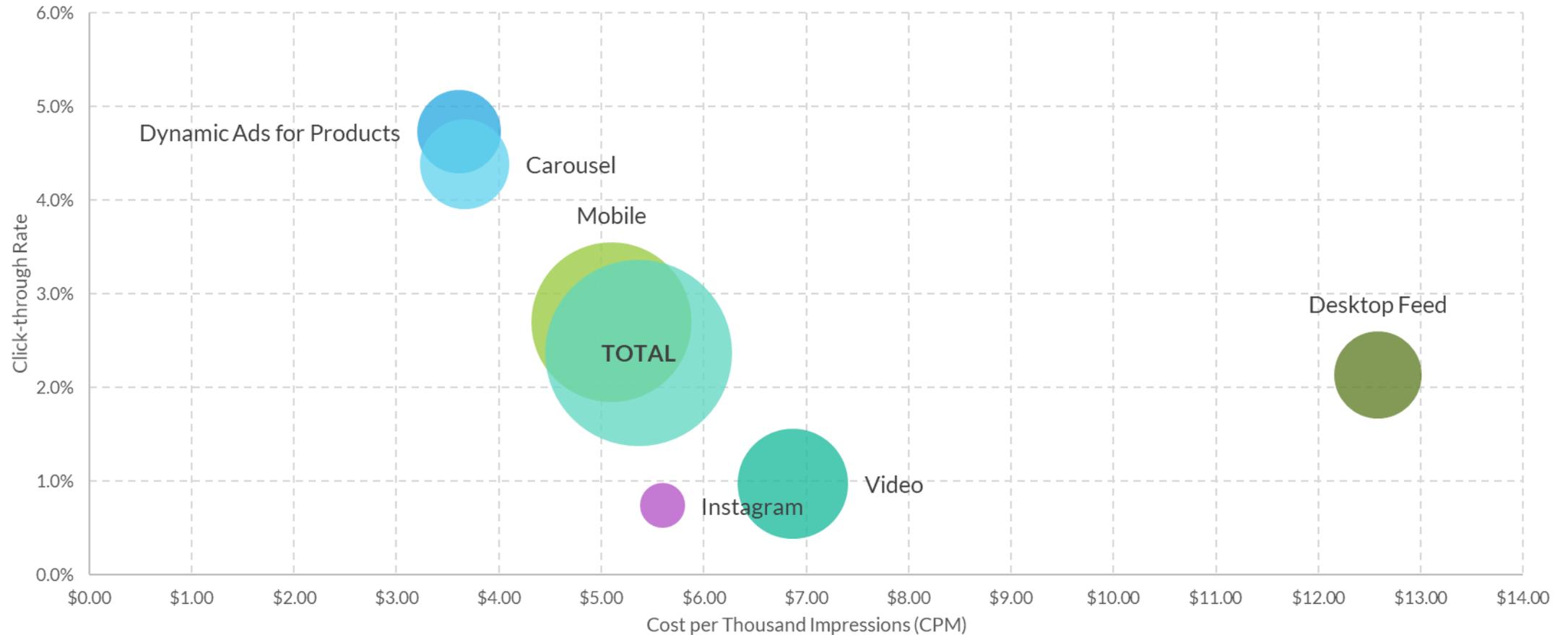
Key Social Segments by Quarter

Q3 2017 Q4 2017 Q1 2018 Q2 2018 Q3 2018
(Bubble size = Spending Volume)



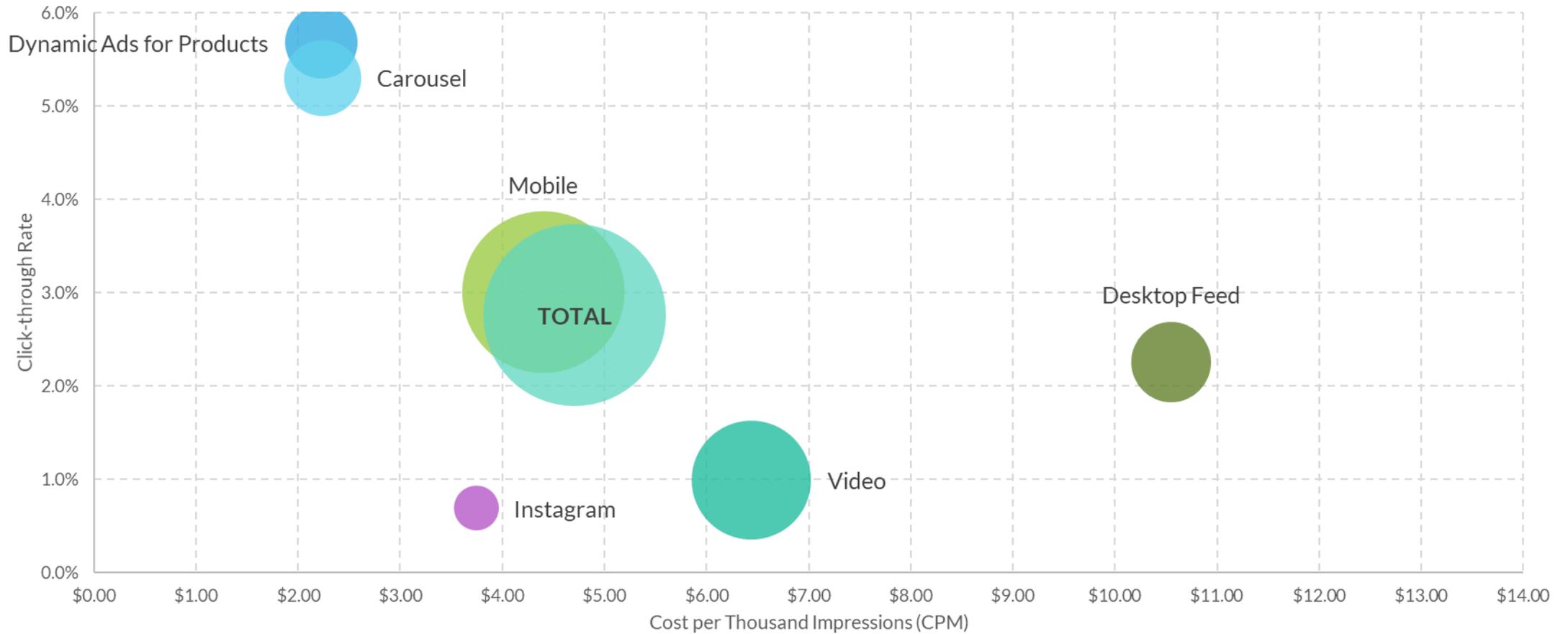
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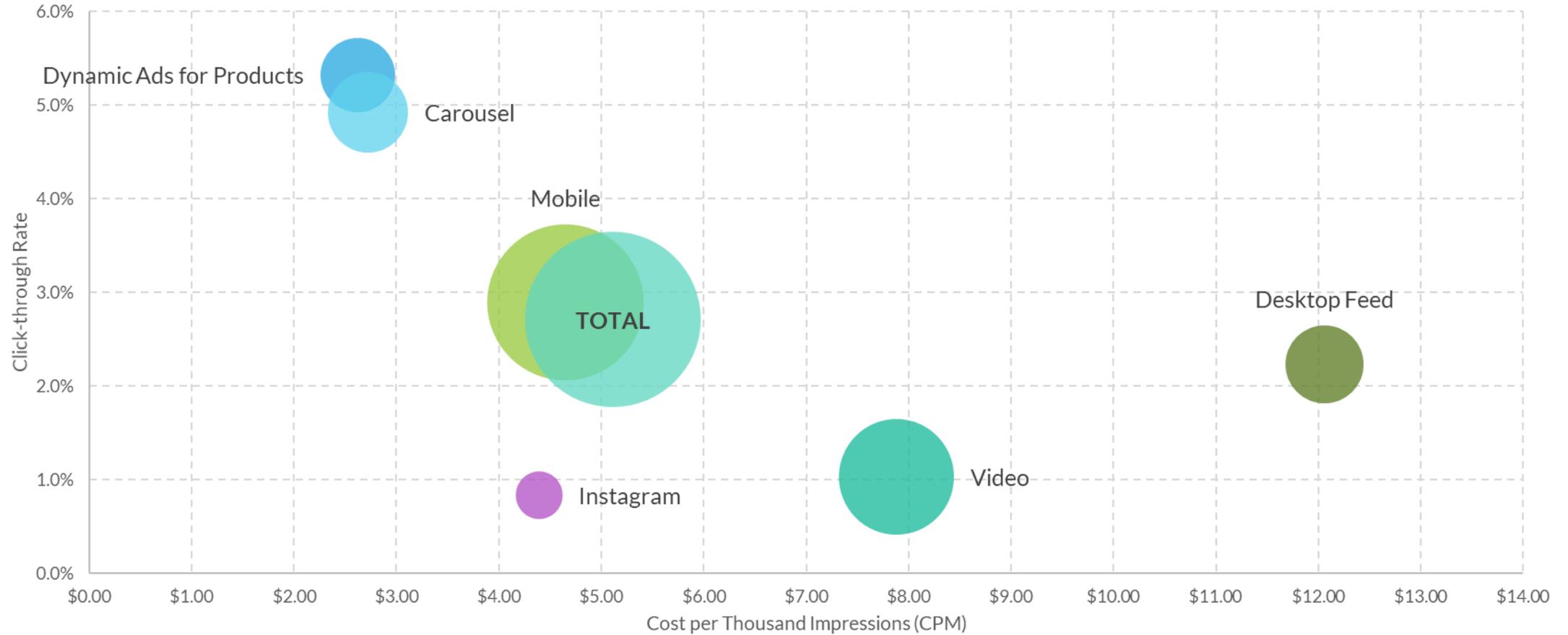
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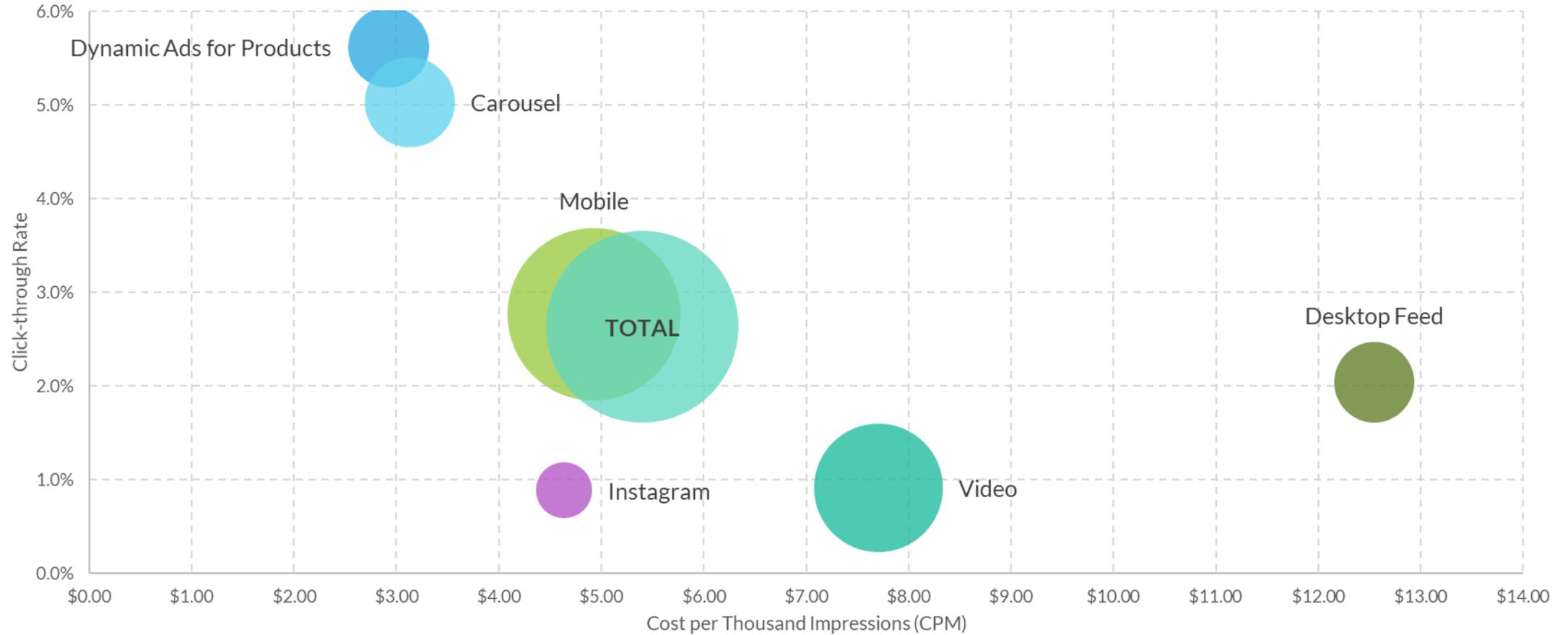
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Key Social Segments by Quarter

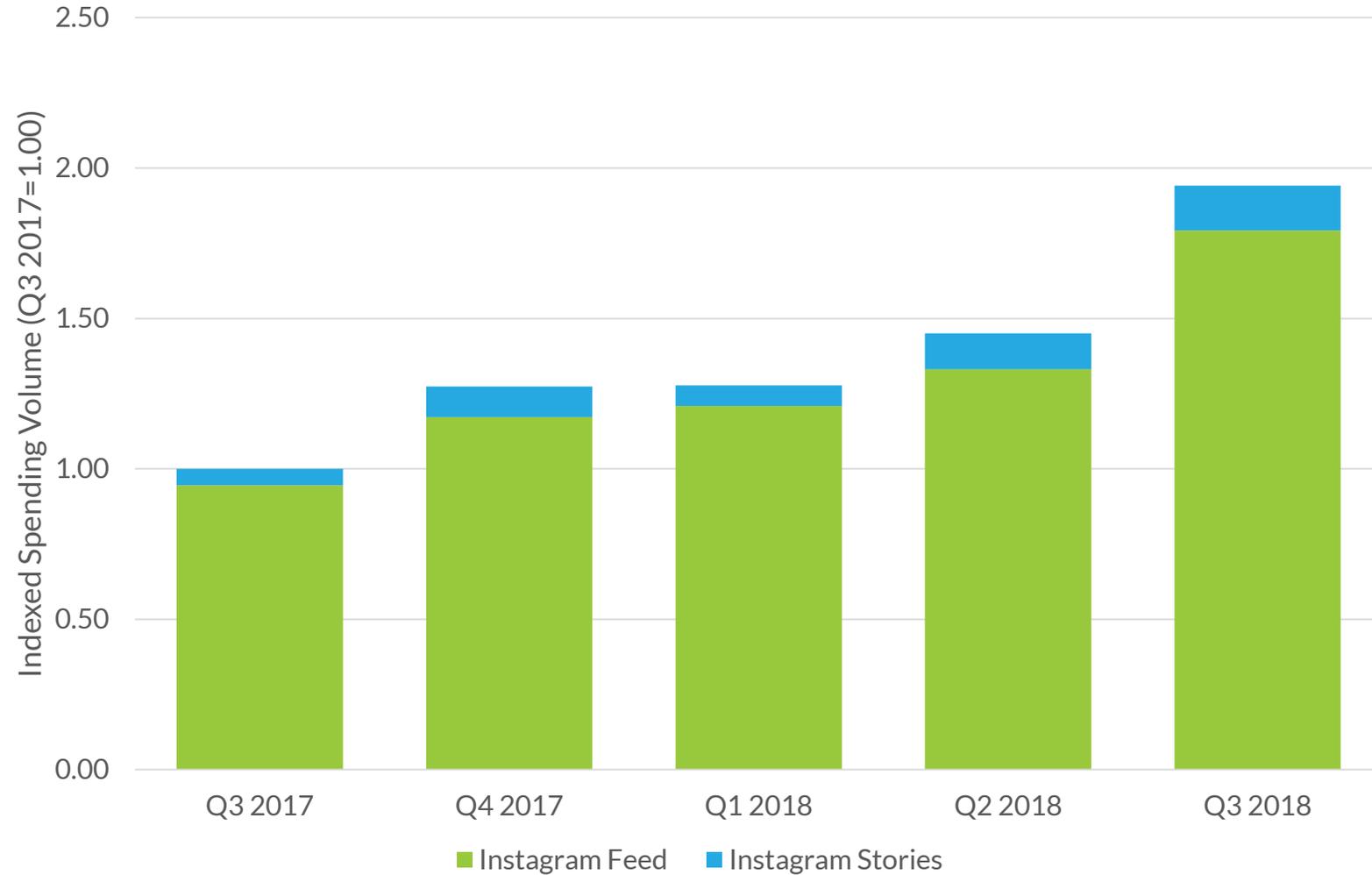
Q3 2017 Q4 2017 Q1 2018 Q2 2018 **Q3 2018**
(Bubble size = Spending Volume)



Instagram Growth

Total Instagram spending grew by 34% quarter-over-quarter and 94% year-over-year

Instagram Stories spending grew 175% YoY, but quarter-to-quarter trends are still volatile due to small volume

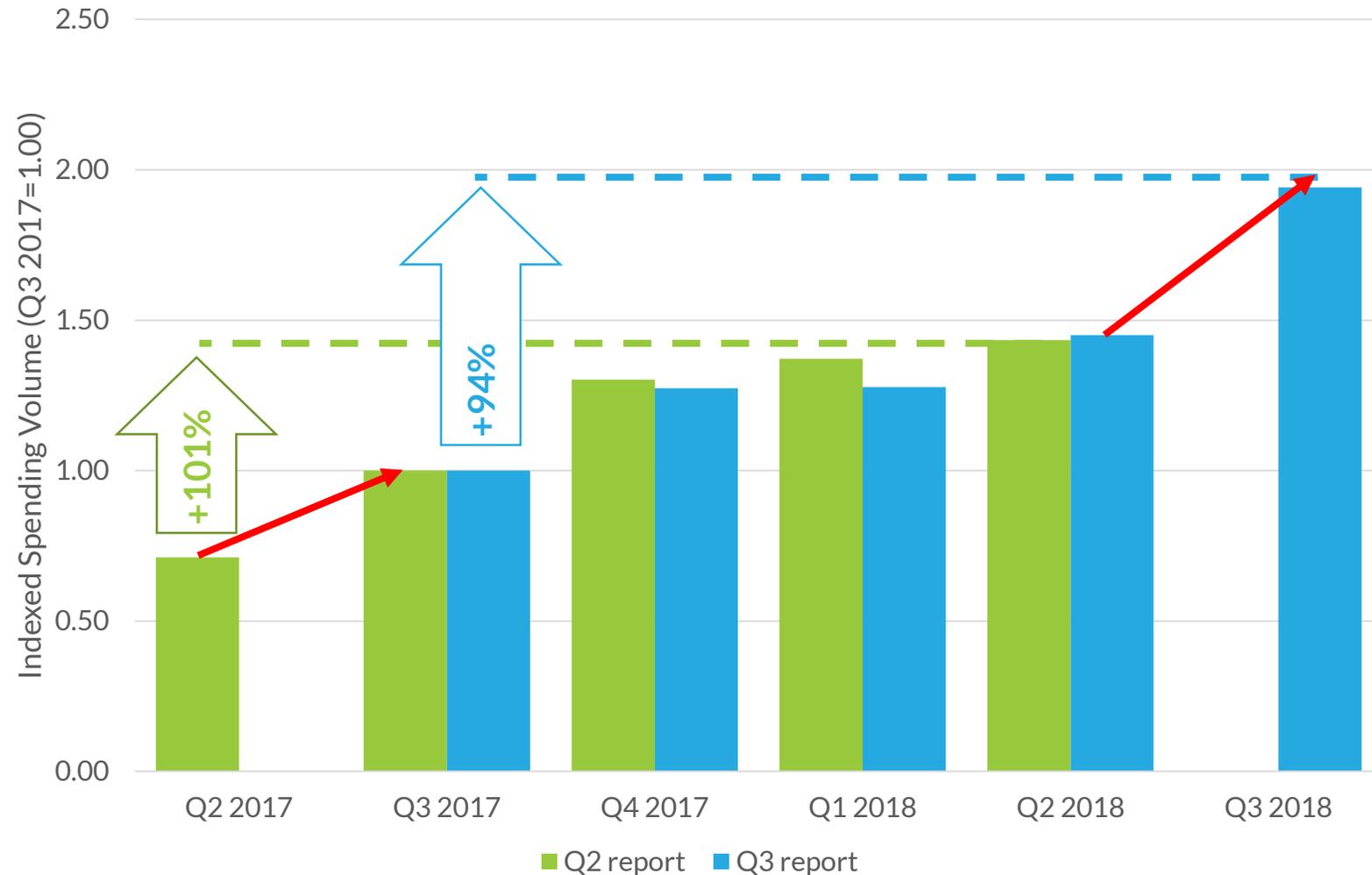


Instagram Summer Seasonality?

Combining Instagram trends with previous reports, patterns emerge

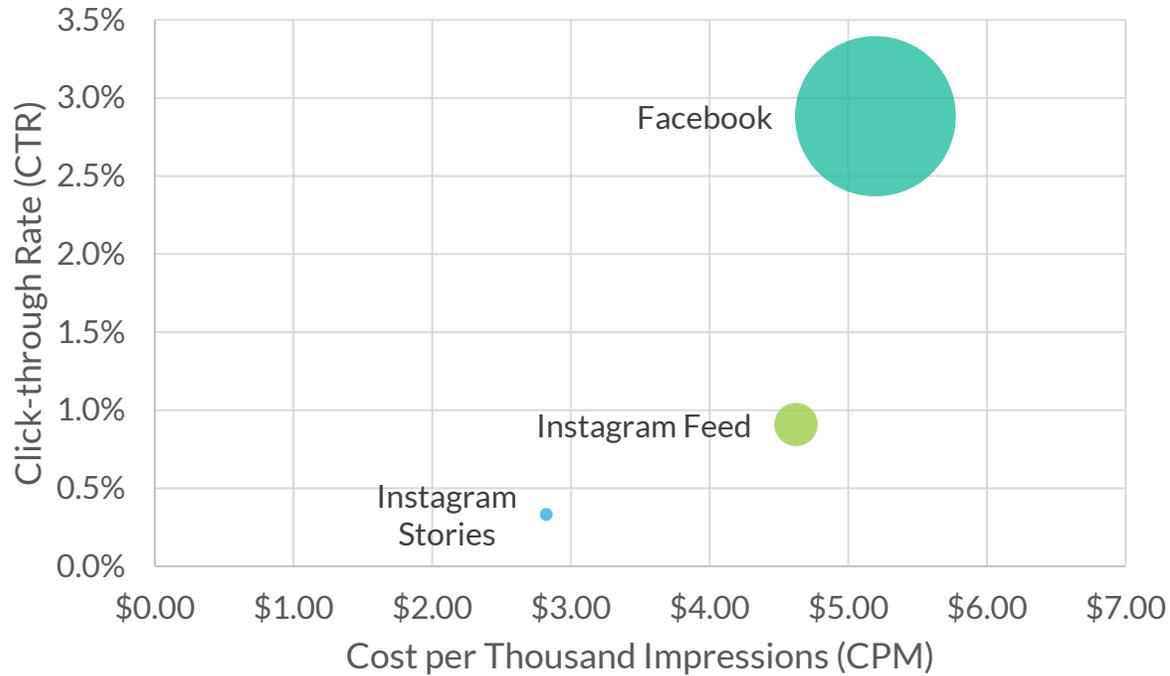
Year-over-year growth for *both* Q2 and Q3 of 2018 was around 2X

The ~40% increase in spending from Q2 to Q3 also occurred last year

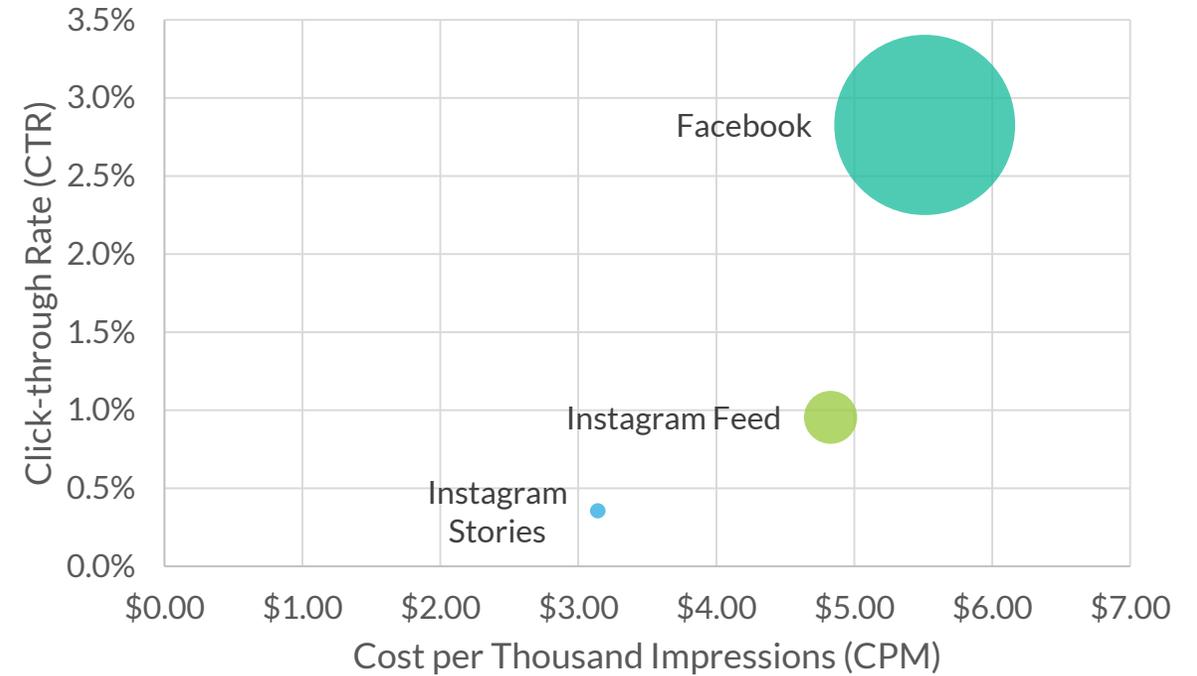


Instagram compared to last quarter

Q2 2018



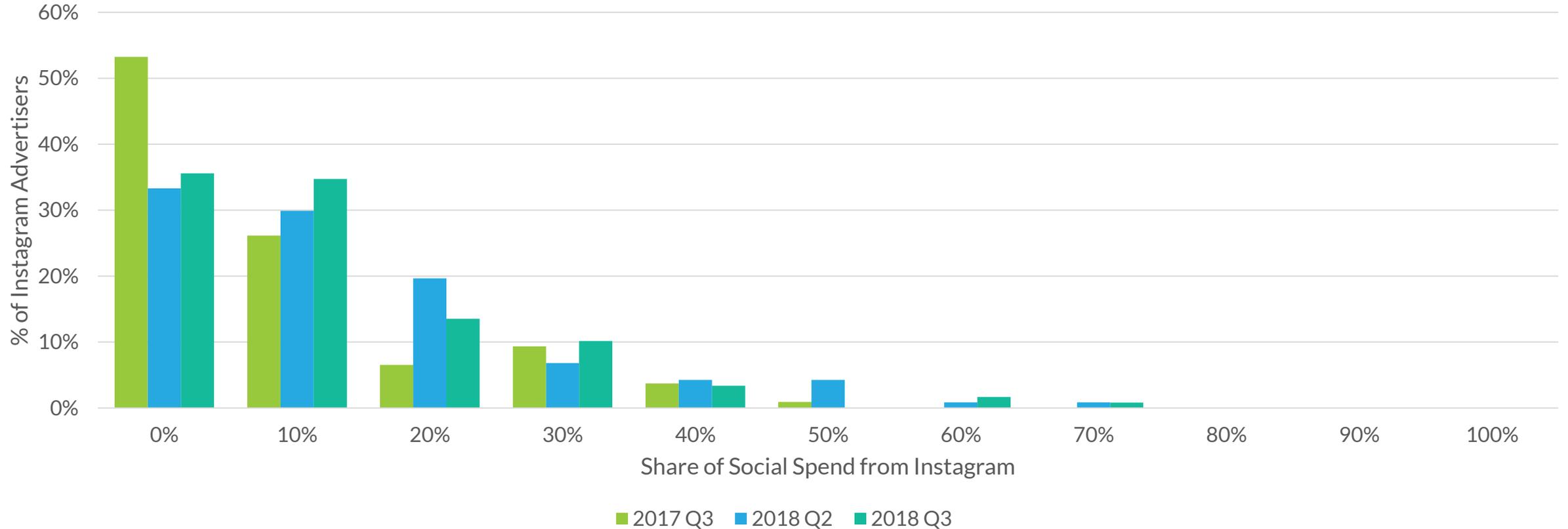
Q3 2018



The fundamental “orbits” of Instagram Feed and Instagram Stories ads have not changed since last quarter.



The Instagram histogram



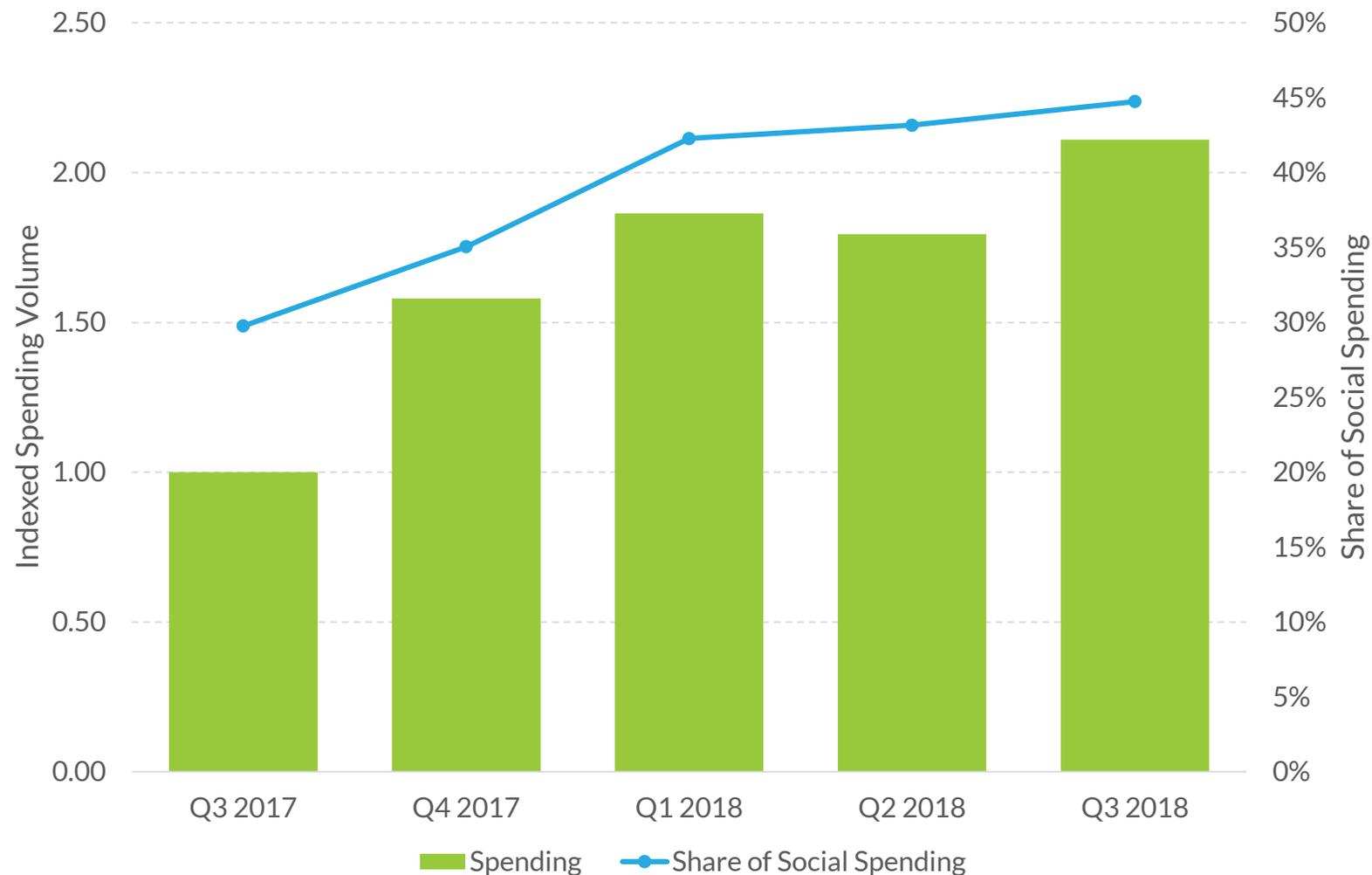
16% of advertisers who are spending anything on Instagram spent 30% or more of their total Facebook budget in Q3



Social Video Growth

Video ad spending grew by 111% YoY

Share of total social spending from video broke the 40% mark in Q1 and has continued to grow



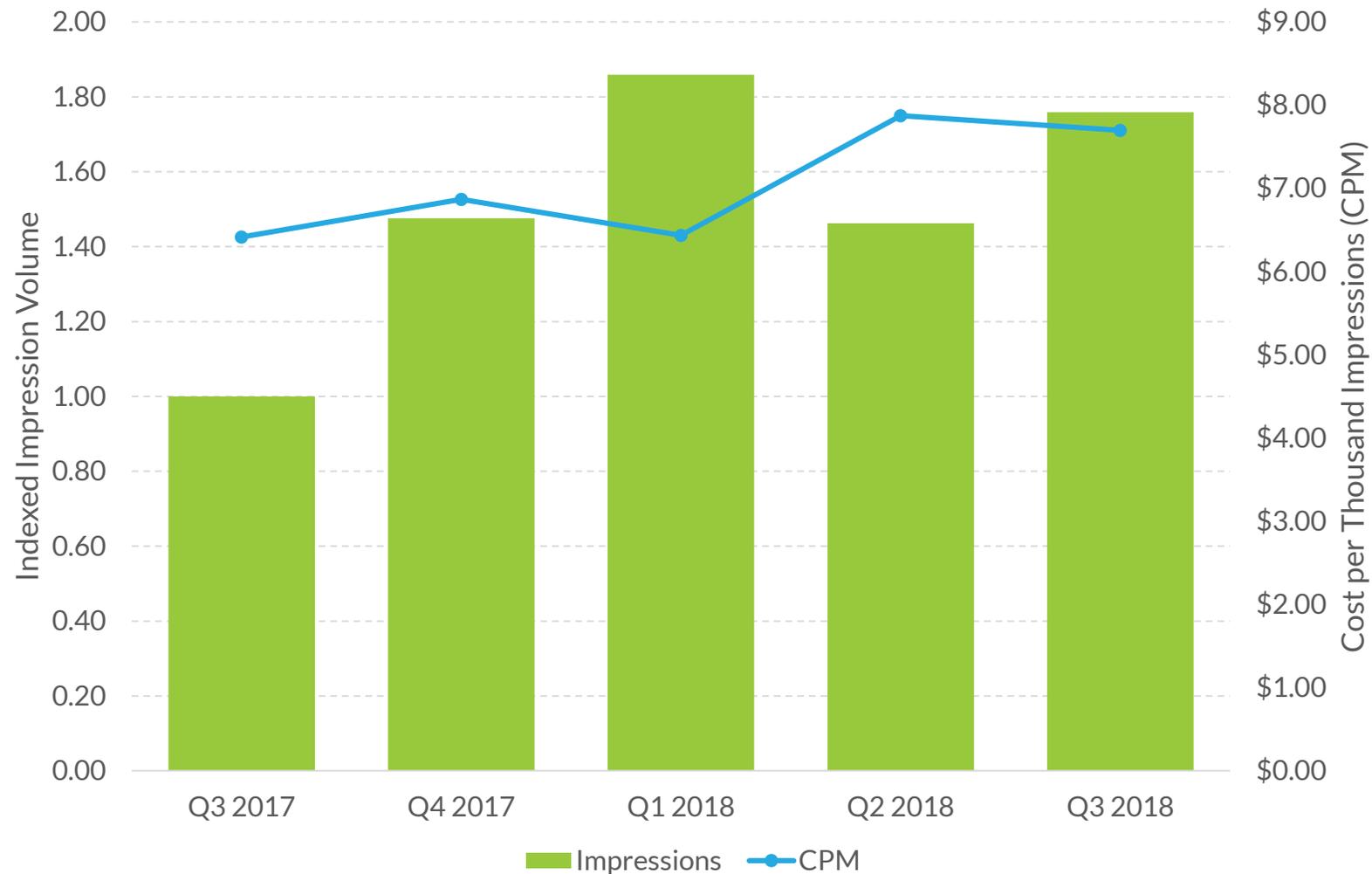
Social Video Dynamics

Last quarter saw impressions drop and CPM increase

This quarter had greater impressions at stable pricing

Video ads continue to be highly dynamic in how they're used from quarter to quarter

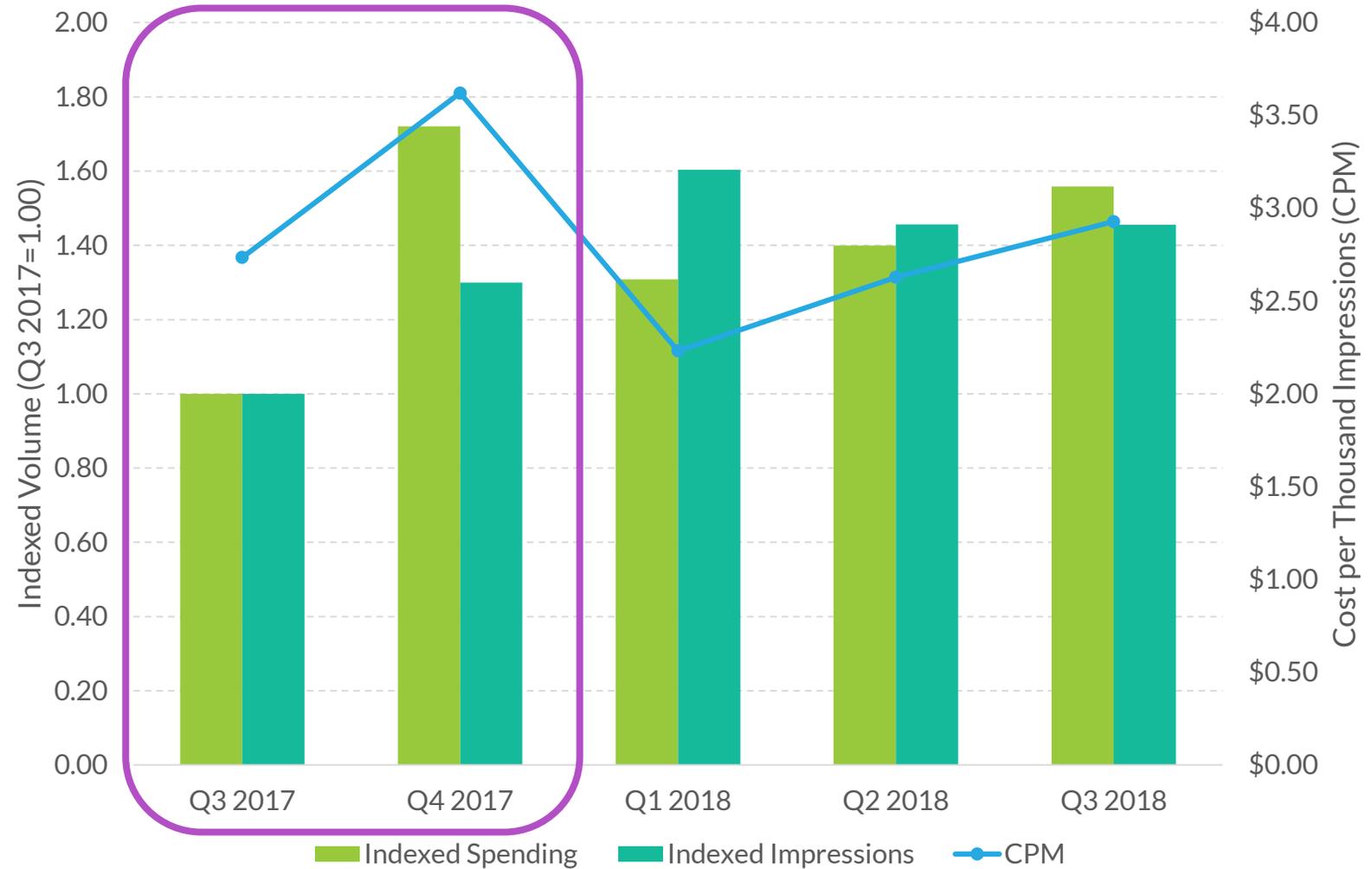
The midterm elections could make this even more unpredictable in Q4



DPA for the Holidays

Last year, social marketers increased spending in Q4 on Dynamic Ads for Products (DPA) by 72% over the previous quarter

This increase was driven by more impression volume (+30%) and a higher price for those impressions (+32%)





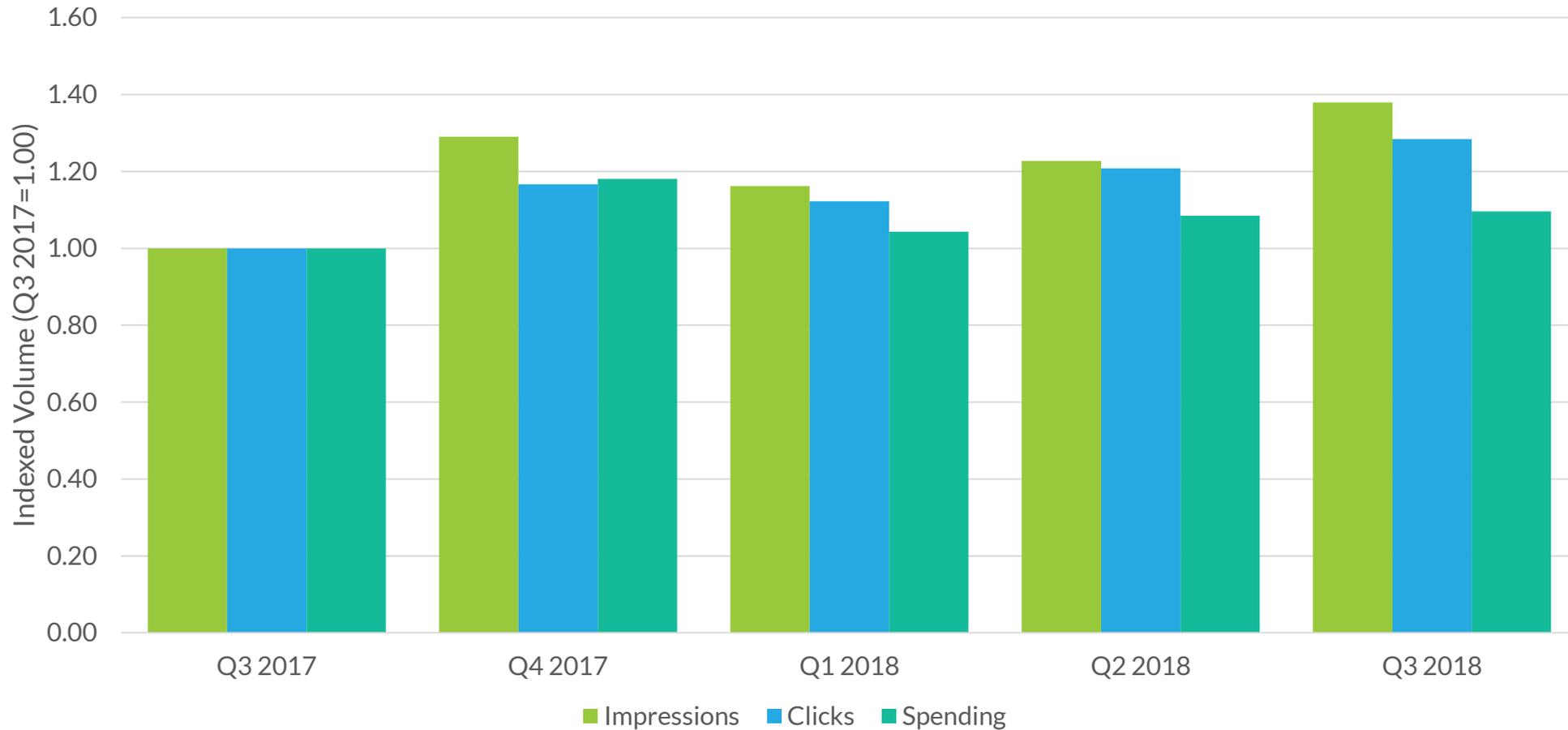
Market Trends

Search

Q3 2018

Search Trends

Search Volume Growth

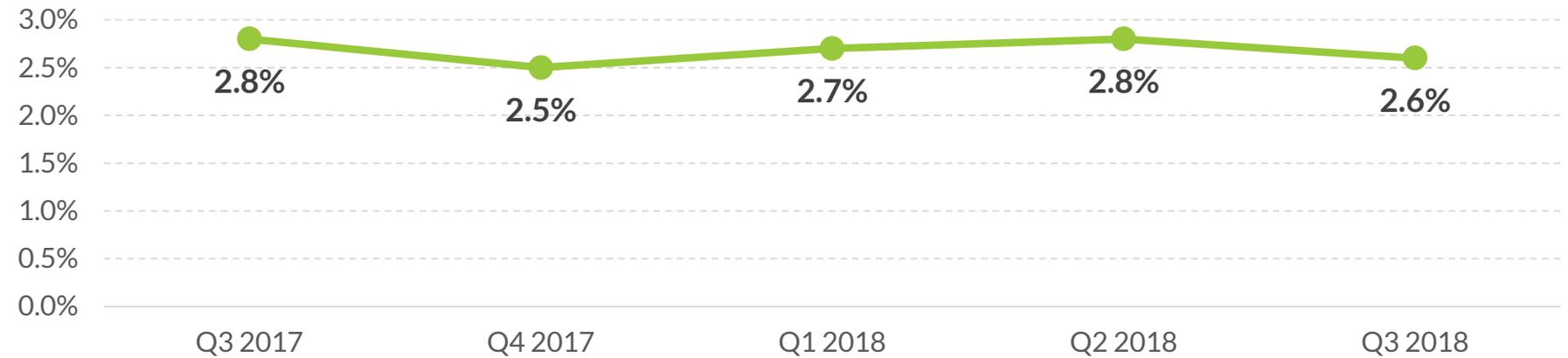


QoQ	YoY
Impressions	
+12%	+38%
Clicks	
+6%	+28%
Spending	
+1%	+10%

Search Trends

QoQ	YoY
Click-through Rate	
-7%	-7%
CPC	
-5%	-15%

Click-through Rate (CTR)



Average Cost per Click (CPC)



Search Highlights

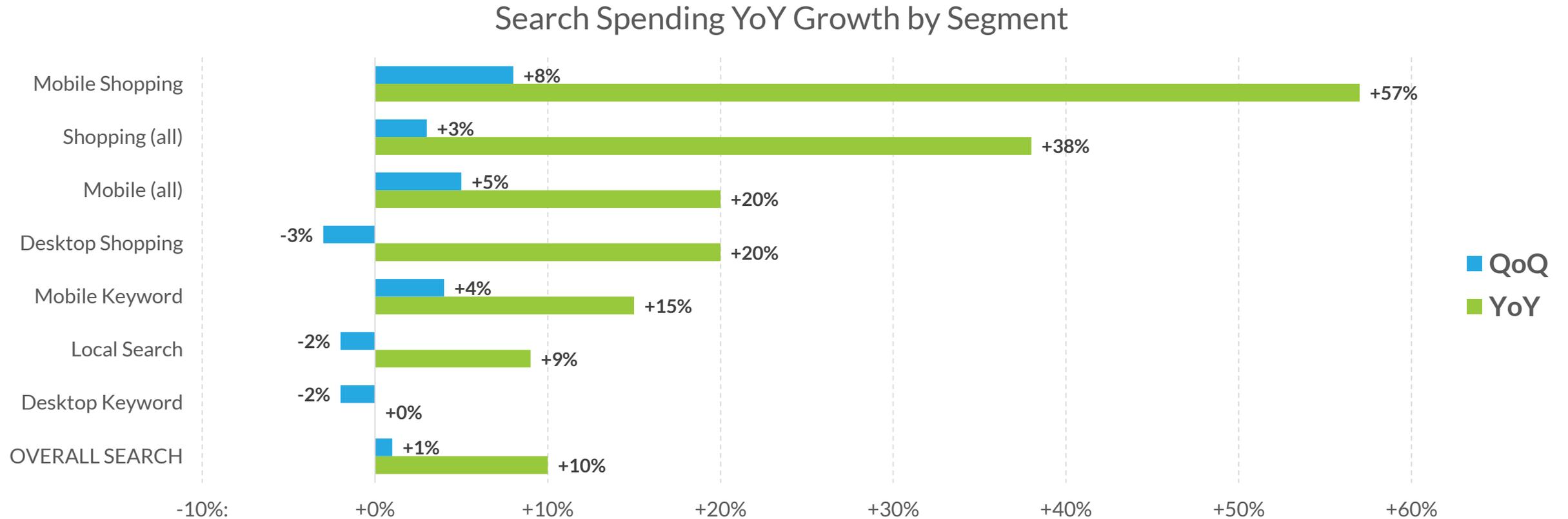
Search spending growth continues to be steady at +10% YoY

Year-over-year search impression volume would actually be down without the contribution of mobile search shopping ads. Instead, it's up 36%

This increase in mobile search shopping ads lowered overall CPC, but did not affect overall CTR at all



Key Drivers for Search Growth

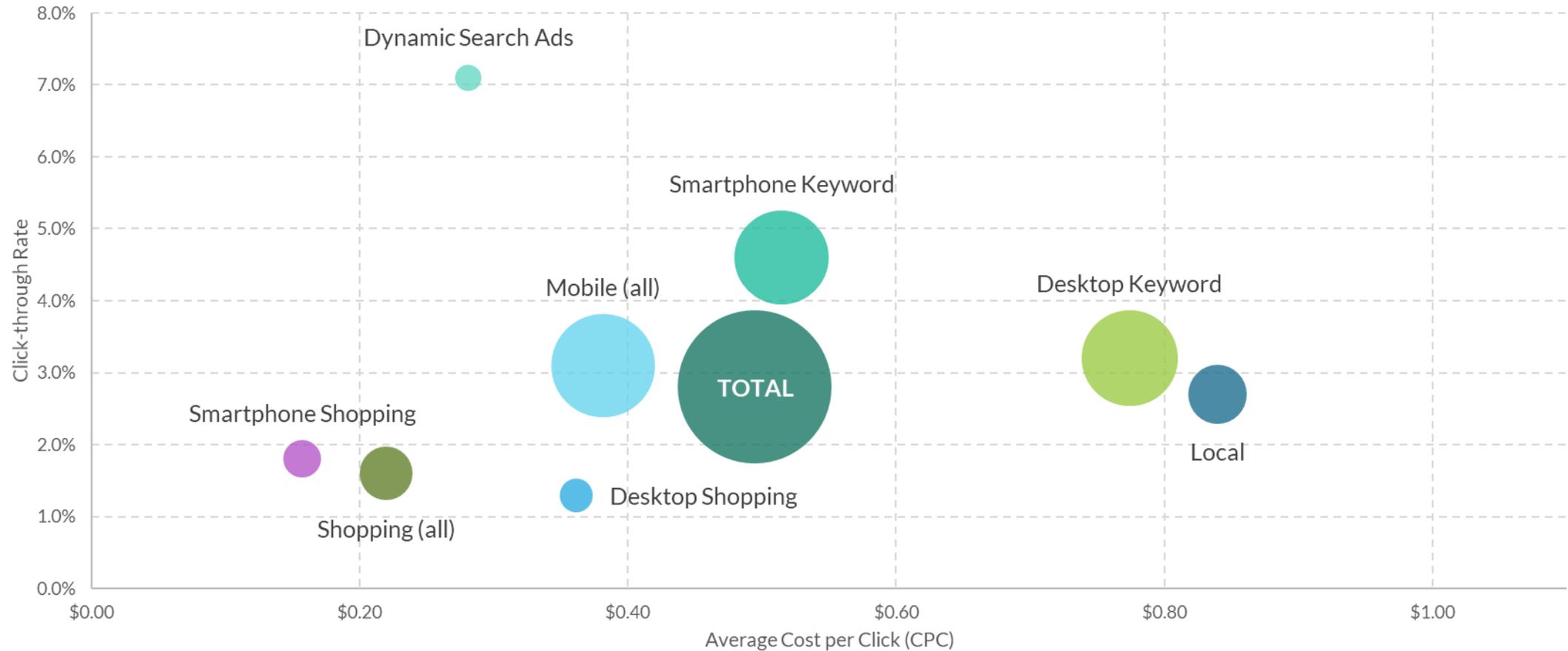


Mobile Search Shopping ads continue to be the fastest-growing segment in Search, with the “shopping” component growing faster than the “mobile” component



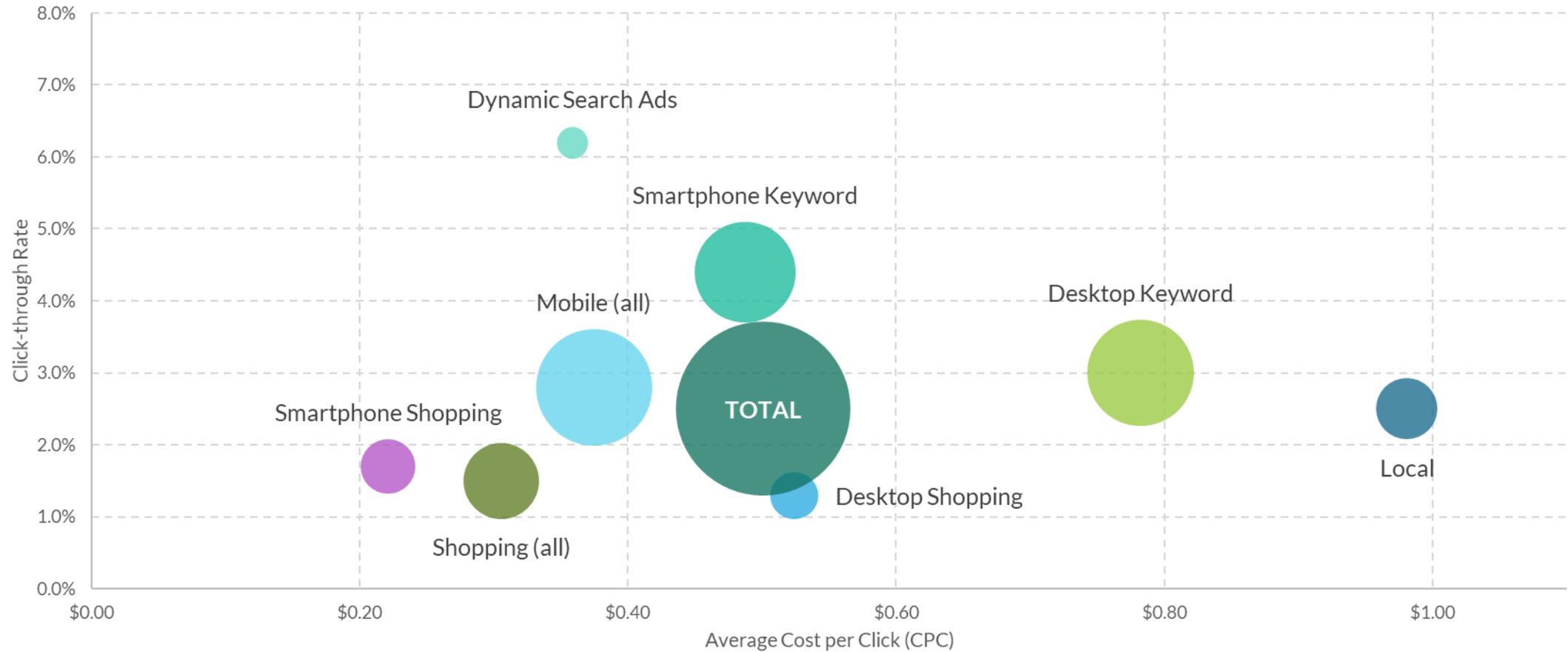
Key Search Segments by Quarter

Q3 2017 Q4 2017 Q1 2018 Q2 2018 Q3 2018
(Bubble size = Spending volume)



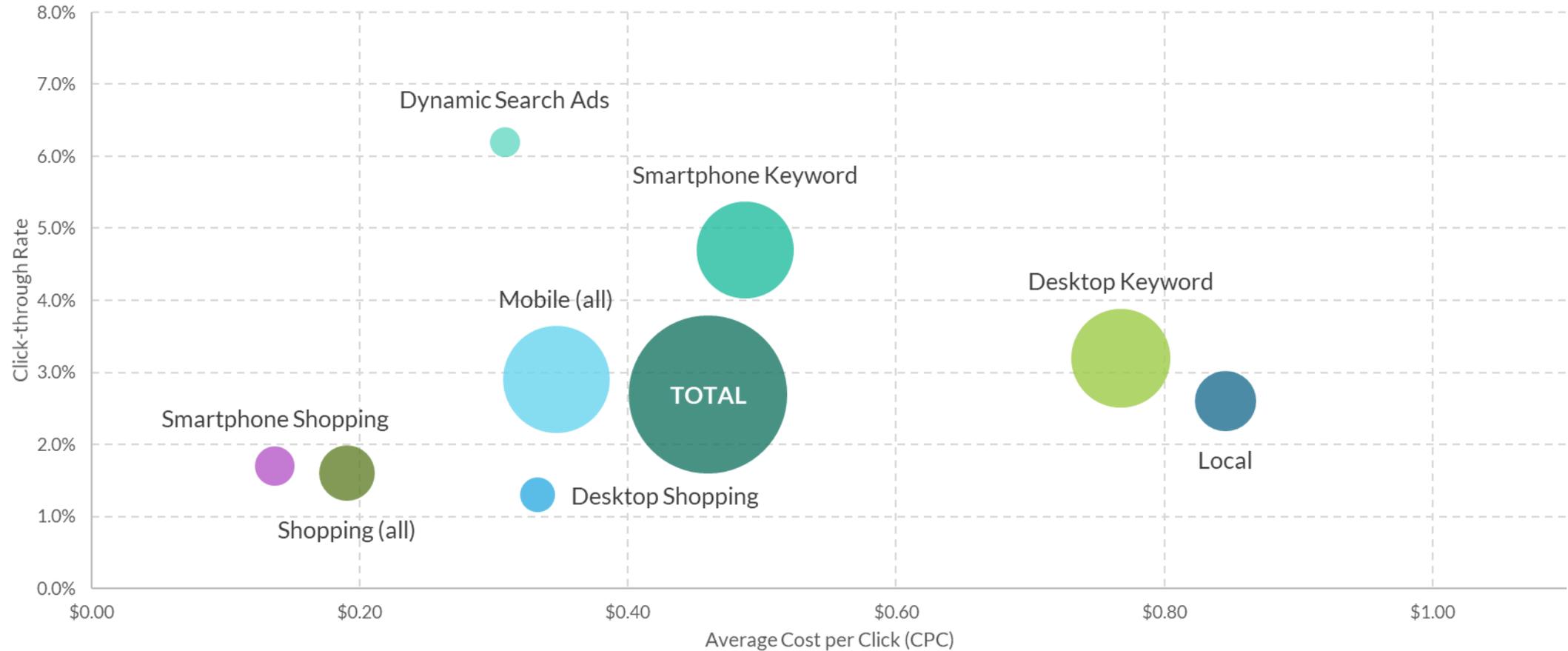
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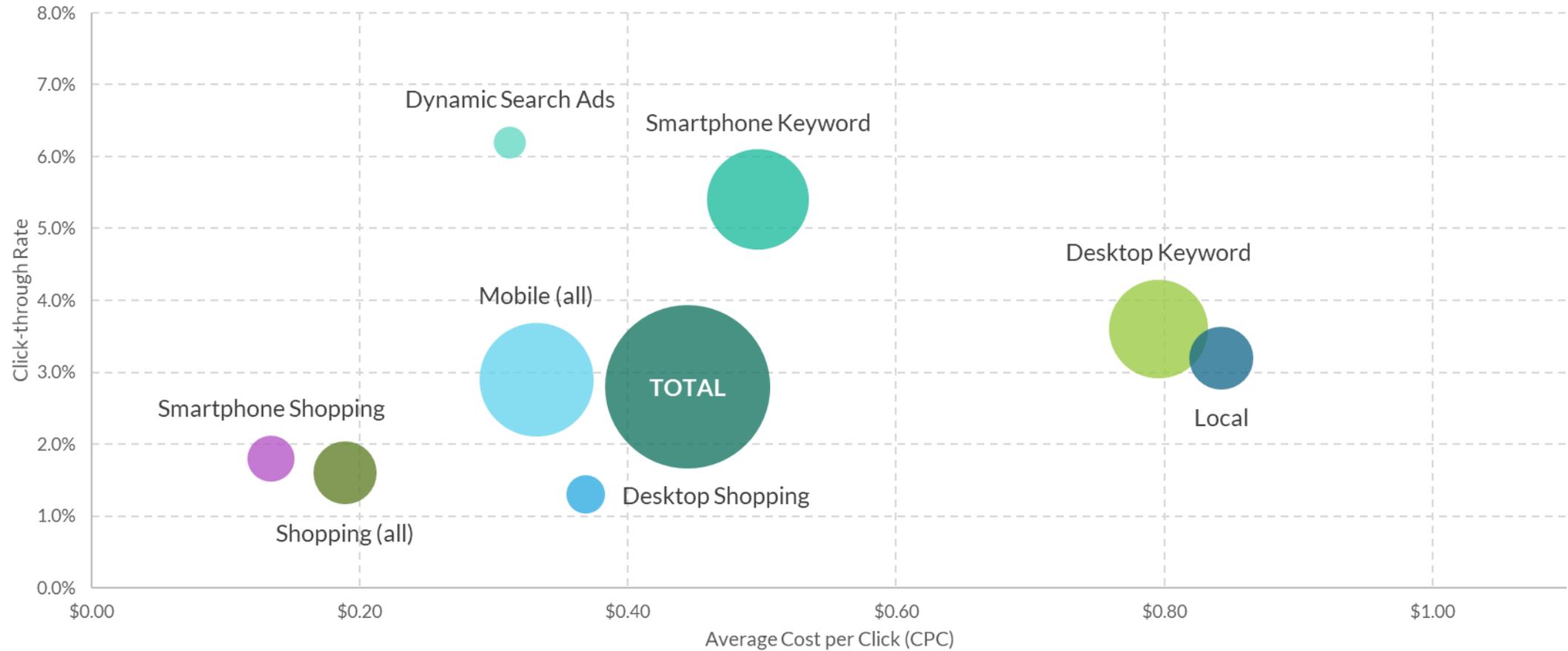
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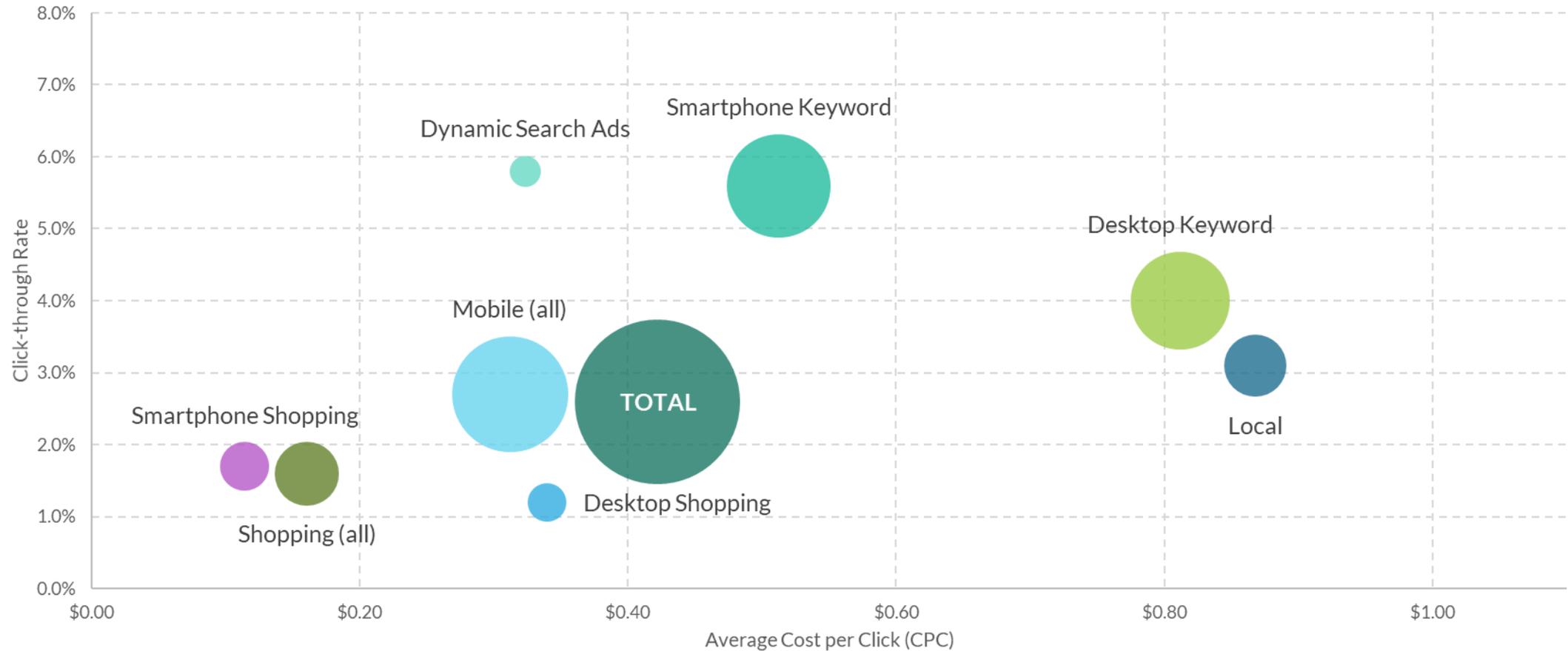
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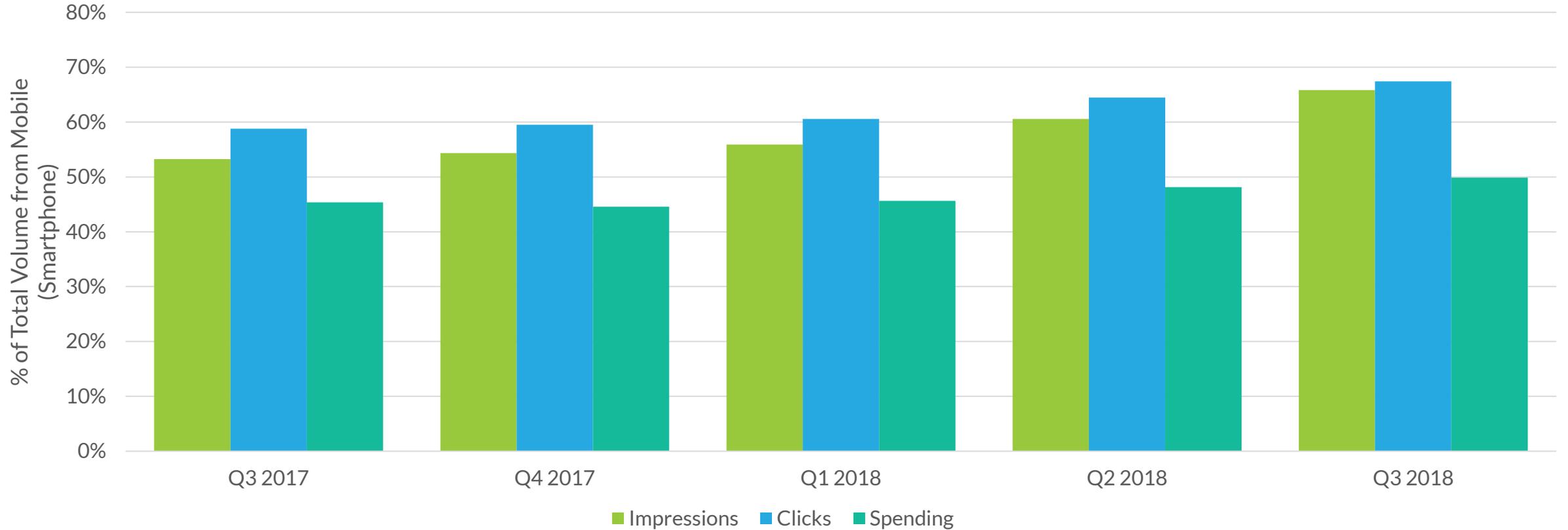


Key Search Segments by Quarter

Q3 2017 Q4 2017 Q1 2018 Q2 2018 **Q3 2018**
(Bubble size = Spending volume)



Mobile Share of Search

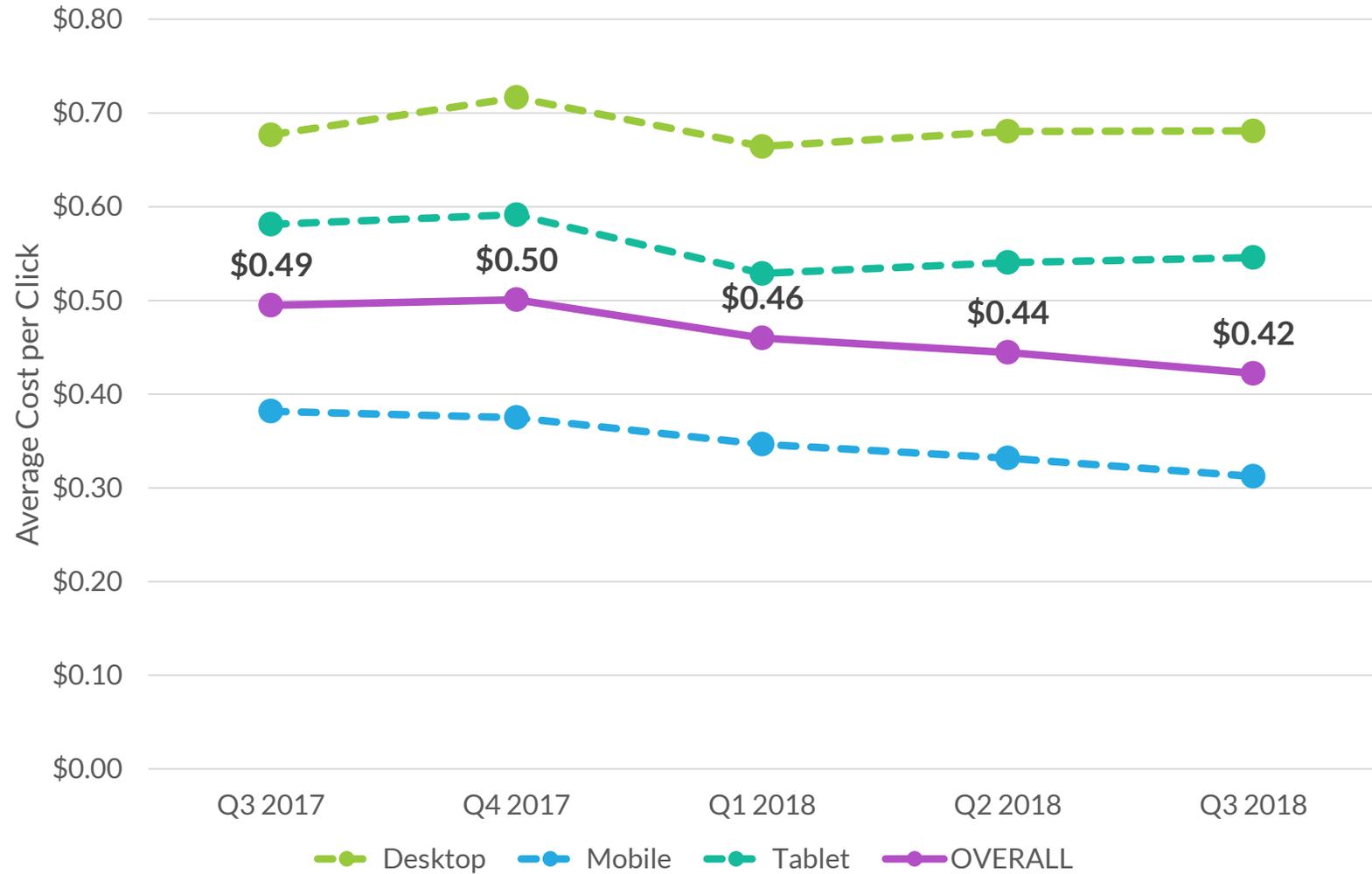


Mobile search now comprises 1 out of every 2 dollars spend on search ads, and 2 out of every 3 impressions and clicks

CPC by Device

Desktop and Tablet CPCs have been stable for three quarters, while mobile click prices continue decline

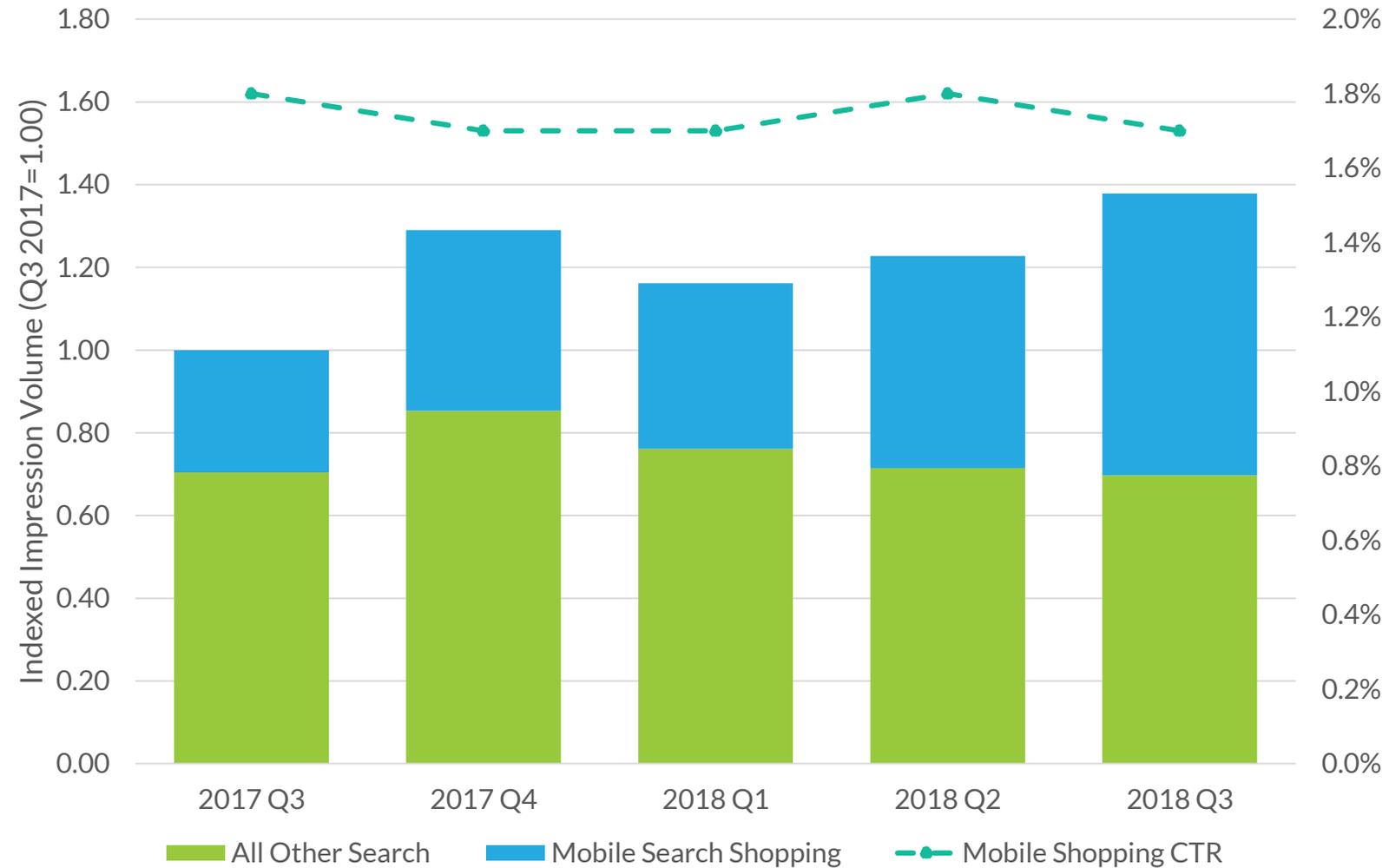
Mobile search shopping campaigns are still the primary driver of this trend



Mobile Search Shopping Driving Impression Growth

Mobile Search Shopping ads have driven nearly all search impression growth outside of Q4 of last year

This robust scaling of search shopping inventory has little or no effect on engagement with this ad type



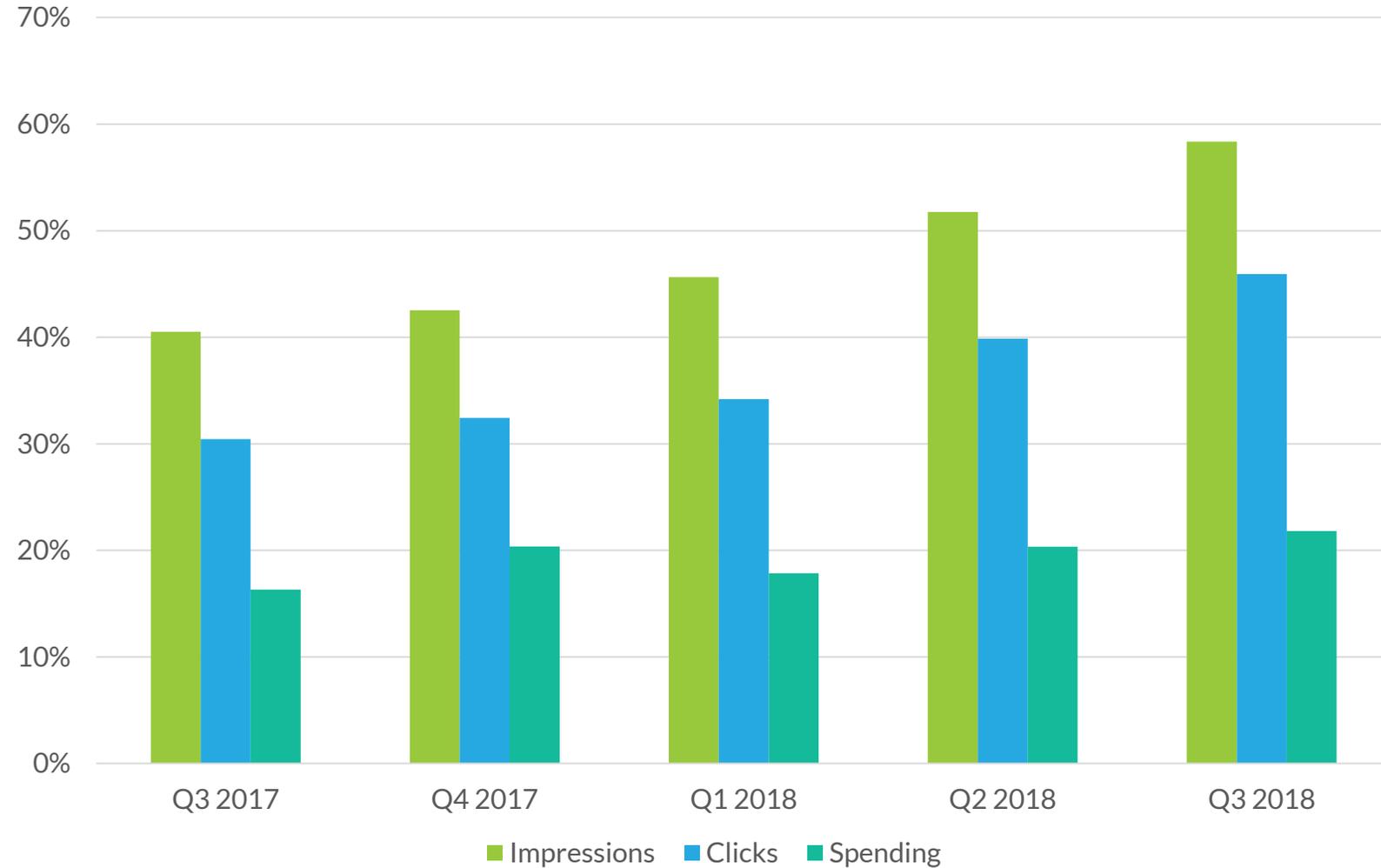
Mobile Shopping Share of Total Search Ecommerce Advertisers Only

Share of volume from
MOBILE shopping campaigns
continues to increase for
Ecommerce advertisers

58% of Q2 impressions

46% of Q2 clicks

22% of Q2 spending

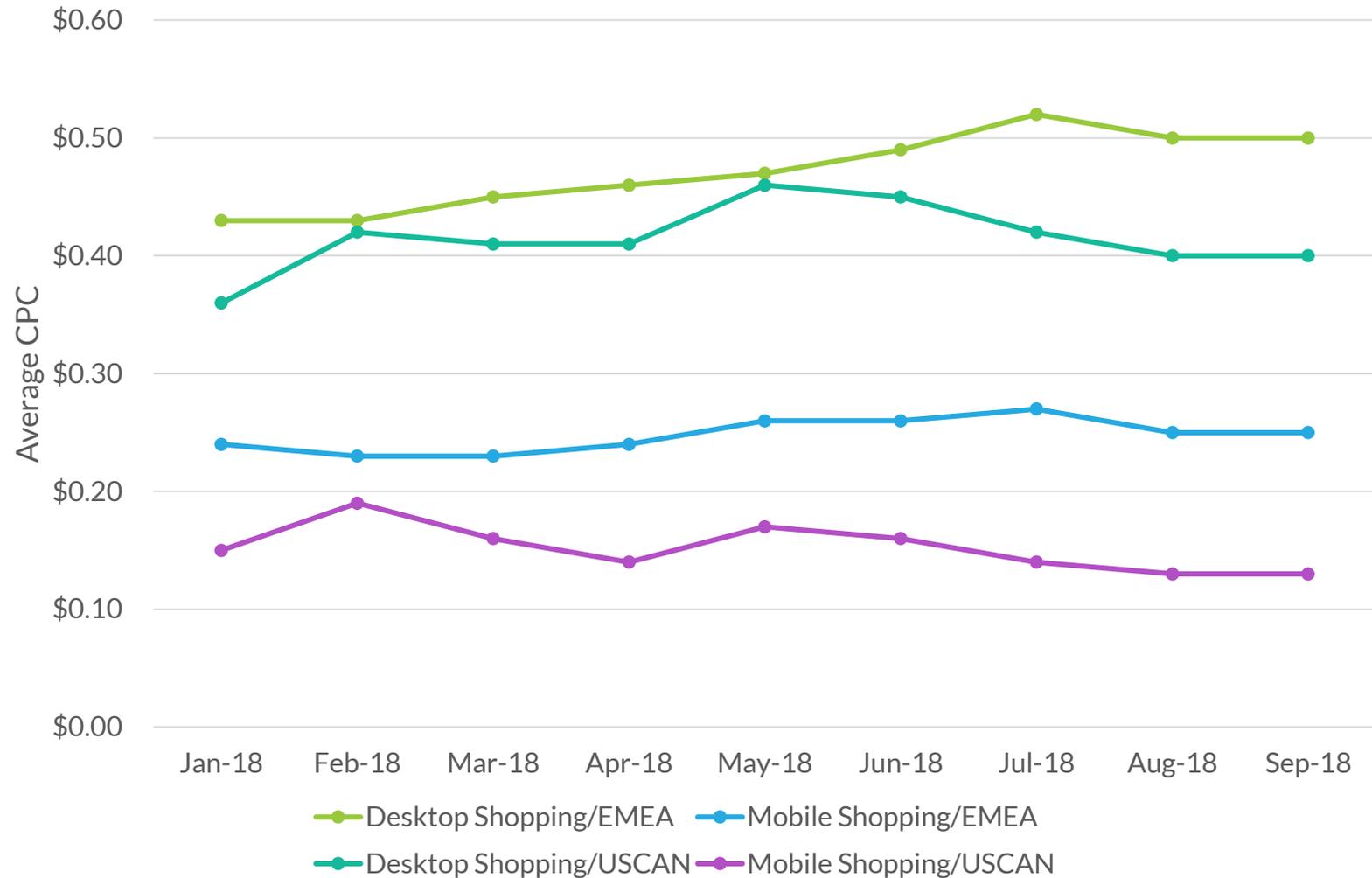


Search Shopping Campaigns in EMEA

Google was required to discount Shopping Campaigns in the EU starting in May

Starting from this point, click prices started to diverge from the US and Canada, but in a more positive direction

The net result is that Q3 Shopping Campaign spending increased faster in EMEA than elsewhere



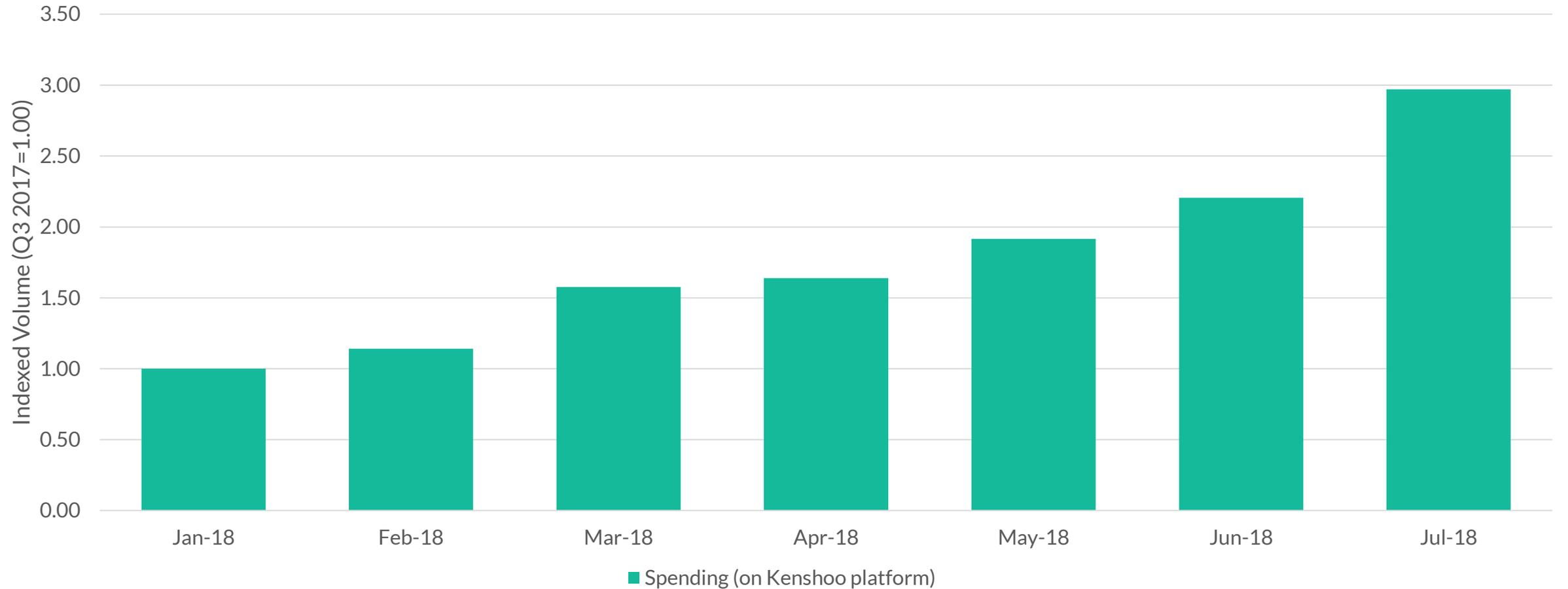


Emerging Channels



Ecommerce Channel Advertising

Ecommerce Volume Growth (unfiltered)

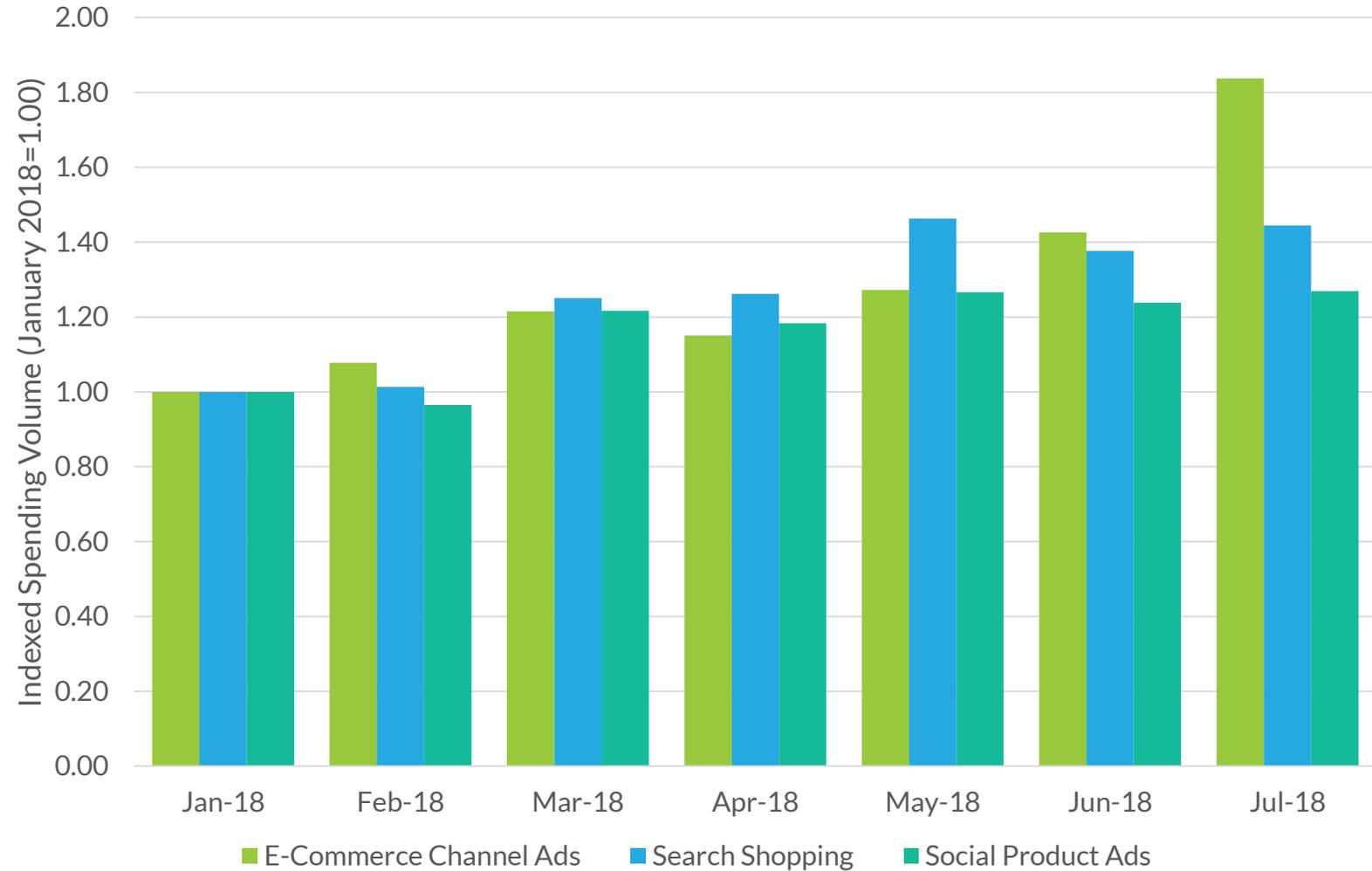


Ecommerce versus Search & Social

Product Ad Types Only

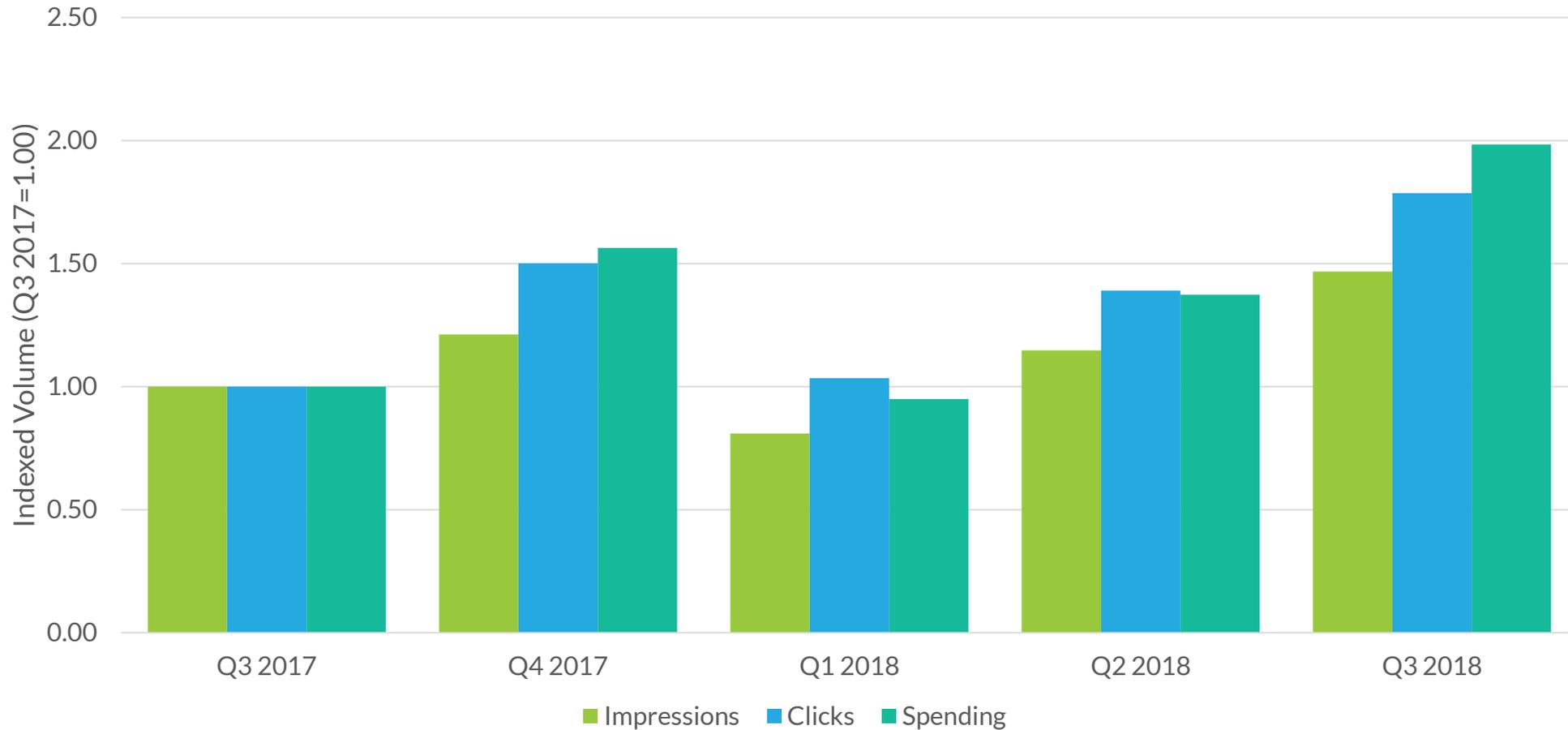
Looking at 2018 by month on a same-advertiser basis gives us a somewhat stable comparison across channels

We can see more clearly the growth of the Ecommerce channel advertising, while Search and Social product ads have grown more slowly.



Pinterest Growth

Pinterest Volume Growth (unfiltered)



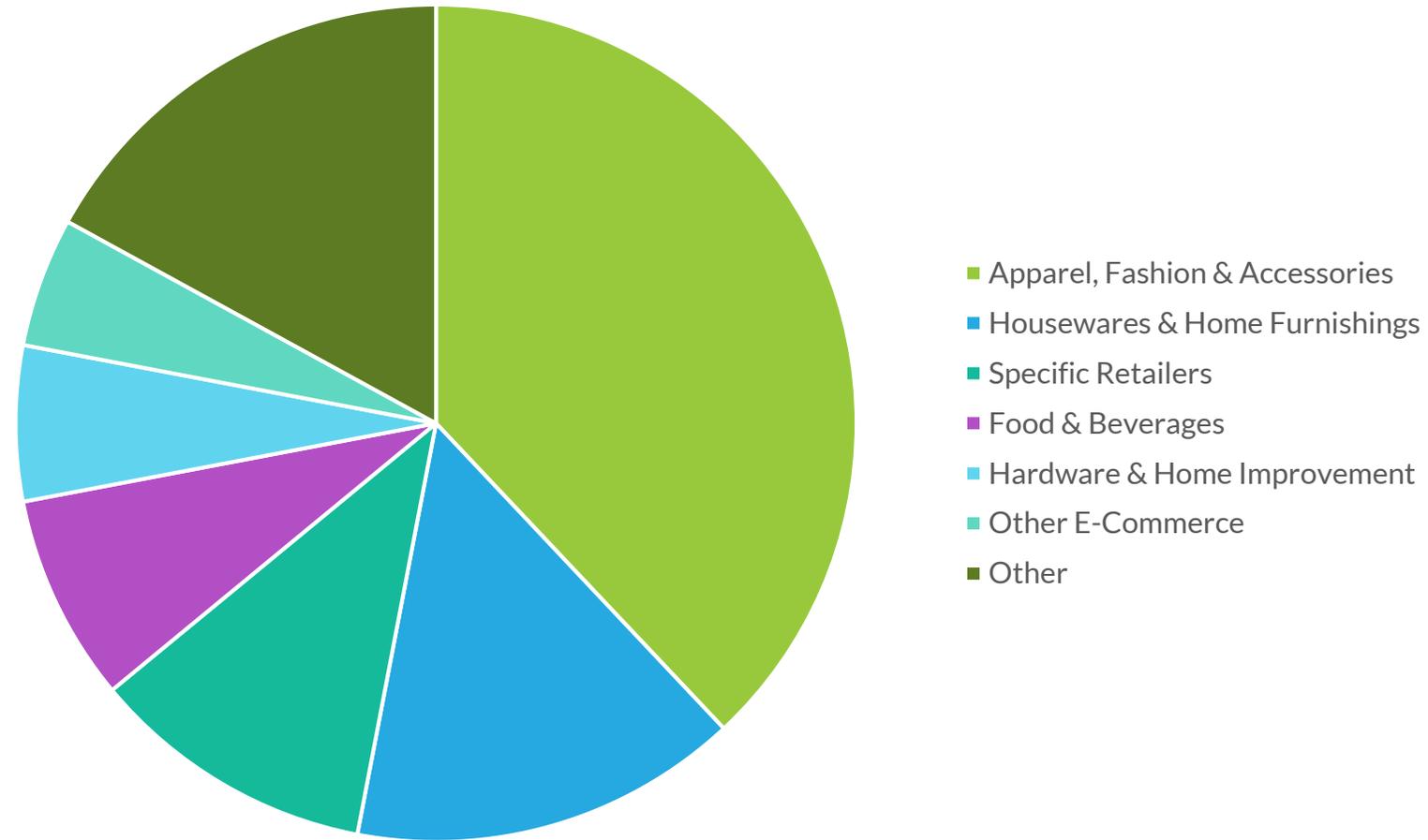
QoQ	YoY
Impressions	
+28%	+47%
Clicks	
+29%	+79%
Spending	
+44%	+98%

Pinterest Advertiser Breakdown

Percent of Q3 Pinterest Spending (unfiltered)

Apparel and Home Furnishings comprised more than half of Pinterest spending in Q3

Combined with Hardware & Home Improvement, Pinterest clearly appeals to categories with a visual aesthetic



Pinterest Trends (unfiltered)

QoQ	YoY
CPM	
+13%	+35%
CPC	
+12%	+11%

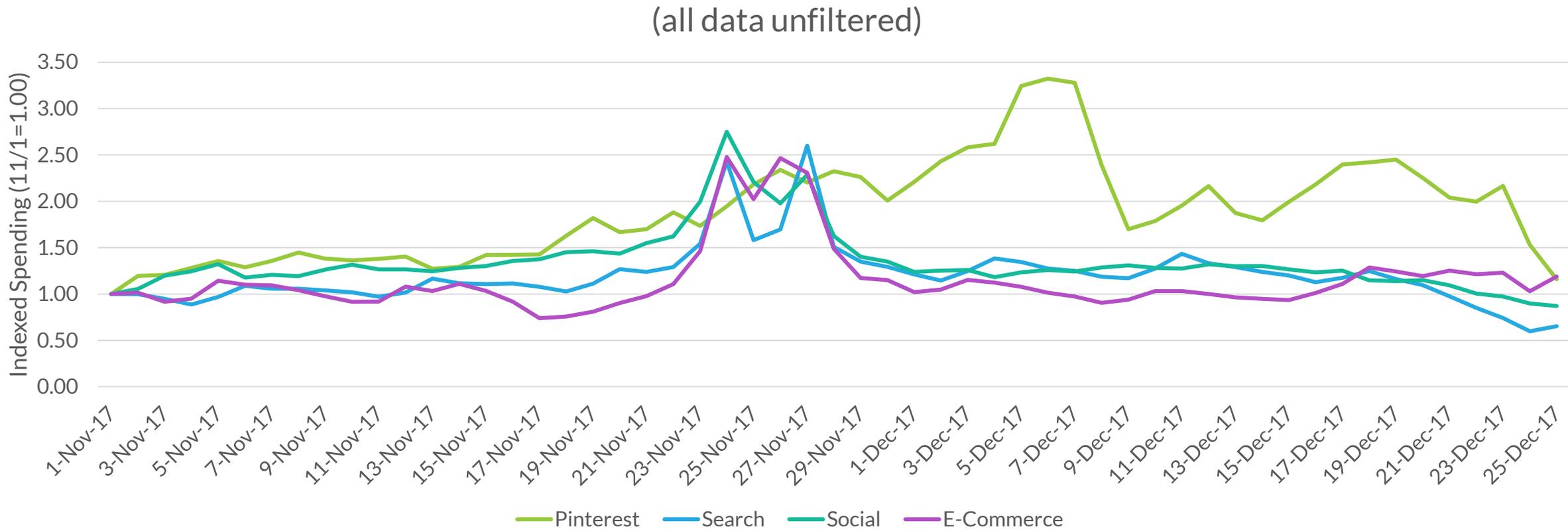
Average Cost per Thousand Impressions (CPM)



Average Cost per Click (CPC)



Pinterest and Seasonality



While other online channels show local peaks during the “Cyber 5” holiday period, Pinterest spending continues to grow further into December.

Apple Search Ads

Ads for apps based on searches in the Apple App Store

Launched beta program for 15 clients through Adquant by Kenshoo this month, with interest well beyond that initial group

Entirely search/keyword-driven programs

Gaming is the obvious vertical, but also finding interest in ecommerce, finance and travel

Data and performance to follow in future reports





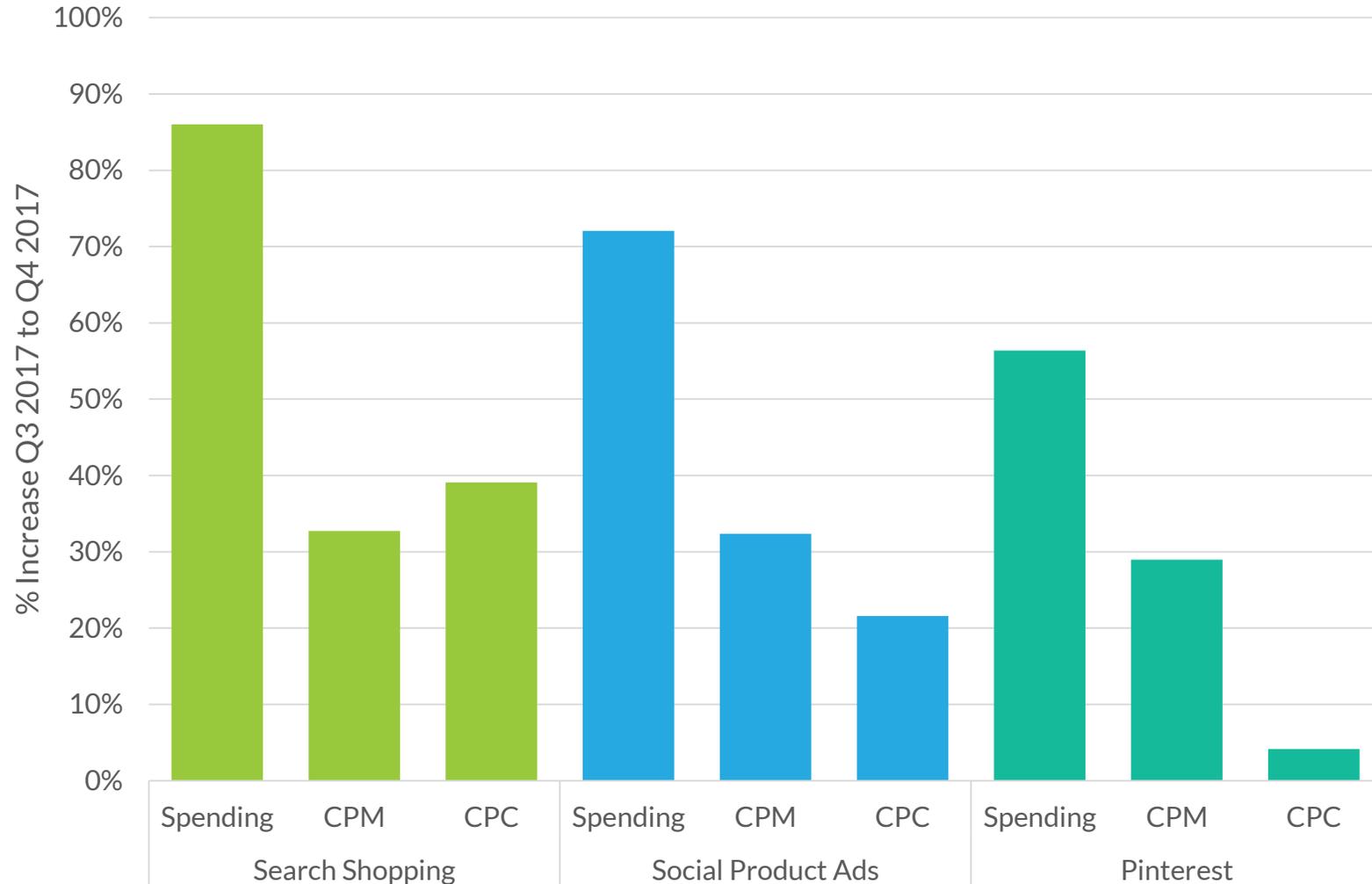
Holiday Preview

Q4 Growth for Highly Seasonal Ads

Across multiple channels and publishers, Q4 means spikes in ad spending and ad prices

Despite being the oldest, largest and most mature of those channels, search shopping still sees the biggest increases

Typically, these increases on the spending side are matched by bigger increases in conversion rate and average order size, maintaining or even exceeding normal ROI



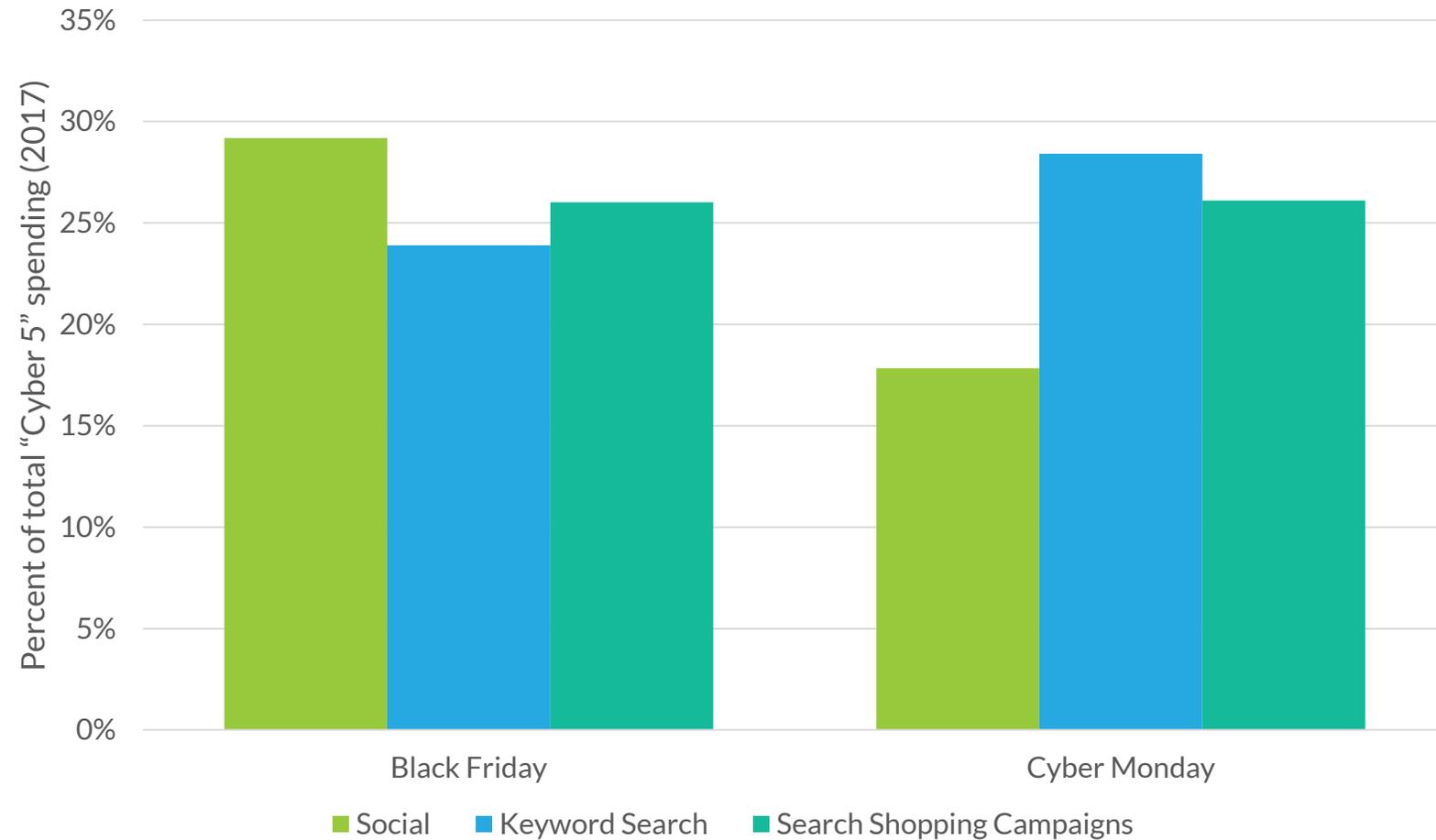
Getting Ready for the Cyber 5

Last year, we saw the big holiday spending spike start to move from Cyber Monday to Black Friday

Social ecommerce advertisers actually saw more spending on Black Friday, while Search shopping campaigns were even between the two

As shopping becomes more and more mobile, holiday shopping should continue to move more towards traditional offline patterns

E-Commerce Advertisers Only



About the Data

Analysis is based on advertiser campaign data managed through the Kenshoo platform on Google, Bing, Yahoo!, Yahoo Japan, Baidu, Yandex, Pinterest, Facebook, Instagram, Snapchat and Amazon.

July 2017 through September 2018

Sample contains over 500 billion impressions, 14 billion clicks and \$6 billion in advertiser spending

For charts showing spending and impressions/clicks, volume metrics have been normalized to a factor of one based on the initial volume for the first quarter of data. Data points from subsequent quarters are based on a multiplier from the first quarter. For example, 1.6 Means that volume is 60% greater than volume on the initial quarter measured.

Ad spending and CPC are measured using Ex-FX or “Constant Currency” adjustments, where results are based on native currency and only translated to common currency after aggregation.



Methodology

Starting in Q4 of 2017, our filtering methodology is as follows:

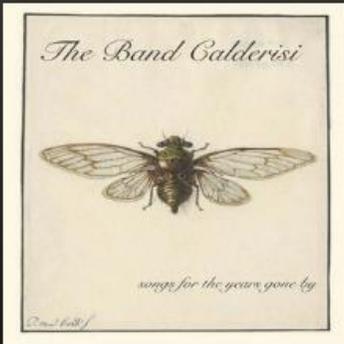
- Advertisers must have 15 consecutive months above a minimum spending threshold in the channel to be included in the analysis
- Additional outliers will be removed as necessary

Some channels/publishers (Ecommerce, Pinterest) may be shown on an unfiltered basis to show dynamic of newer advertising platforms, and are labeled accordingly



Q&A





ALBUM

songs for the years gone by

By The Band Calderisi

2018 • 11 songs, 46 min

PLAY

SAVED



#	TITLE	🕒	👍
1	✓ Words	3:49	
2	✓ All In	3:51	
3	✓ Something Someone	3:56	
4	✓ Turn On	3:02	
5	✓ Bayou	5:08	
6	✓ Pent Up Frustrations	4:22	
7	✓ Nothing Left to Save	3:46	
8	✓ Reasons	4:09	
9	✓ Sing For Me	5:13	
10	✓ The Suffering	3:42	
11	✓ Here Comes Your Last Song	5:53	

© © 2018 The Band Calderisi



0:02

3:48

Case Studies



Craghoppers Peak Performance on Amazon Advertising with ClickThrough Marketing and Kenshoo E-Commerce



Baidu SEM Reseller Merkle Helps Global Brands Break Through in the Chinese Market with Kenshoo



Rakuten Marketing Surfs Up the ROAS for O'Neill with Kenshoo Optimization



Pixel Federation Sees Lift in ROI Leveraging Adquant by Kenshoo During the Facebook Playable Ads Beta



LaserAway Zaps CPA by Nearly 40% and Grows Revenue by 25% With Kenshoo Social



Click Here Publishing Revs Up Results for Auto Dealership Clients With Kenshoo and Gemini Native Ads



Wise Up Generates More Conversions with Kenshoo's GDN Portfolio Optimization



Under Armour Scales and Grows with Kenshoo E-Commerce, Increasing Revenue by 156% on Black Friday

<https://kenshoo.com/client-success/case-studies/>



Marketing Research and Analysis @ Kenshoo

Q3 2018 Search and Social Snapshot

kenshoo.com/digital-marketing-snapshot

NOW INTERACTIVE ON THE WEB!!

Other insights are posted regularly to

kenshoo.com/blog



Mobile ad spending overtakes desktop in search, now the leader across both paid search and paid social advertising

Advertisers made a favorable "impression" in the quarter, with year-over-year (YOY) impression volume increasing for social ads for the first time in a year, and mobile shopping ad impressions surging in search





THANK YOU!