

# DIGITAL MARKETING QUARTERLY TRENDS REPORT



## Q2 2019

July 24, 2019



# Your Host

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# 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](mailto:lily.rotter@kenshoo.com) if you are experiencing any issues



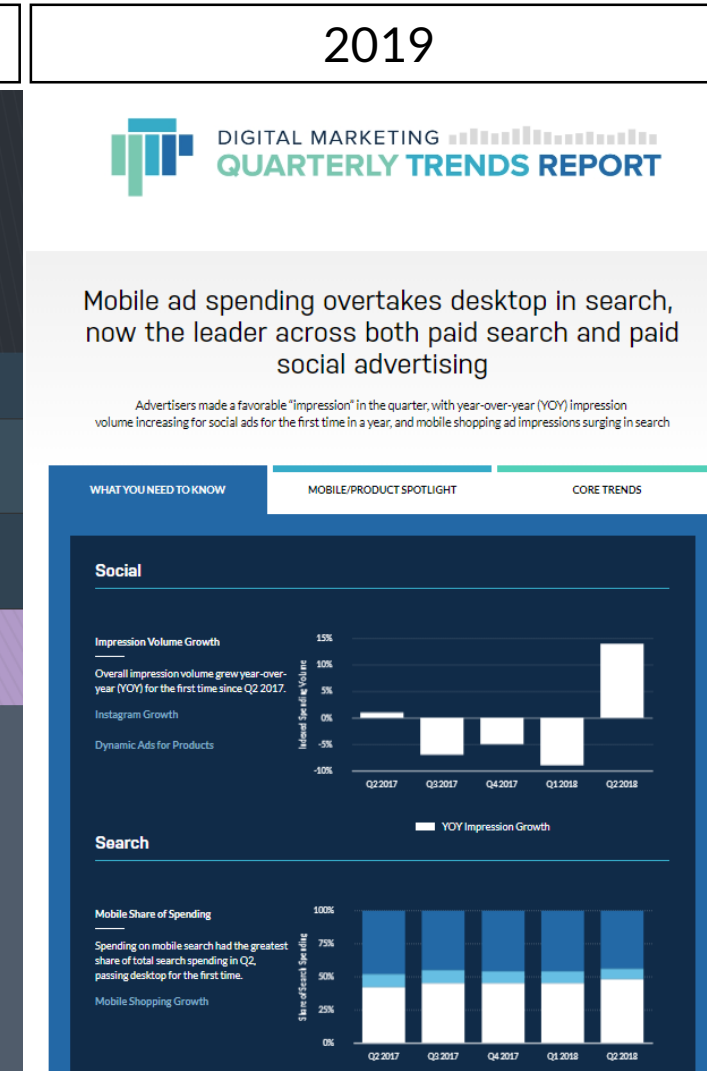
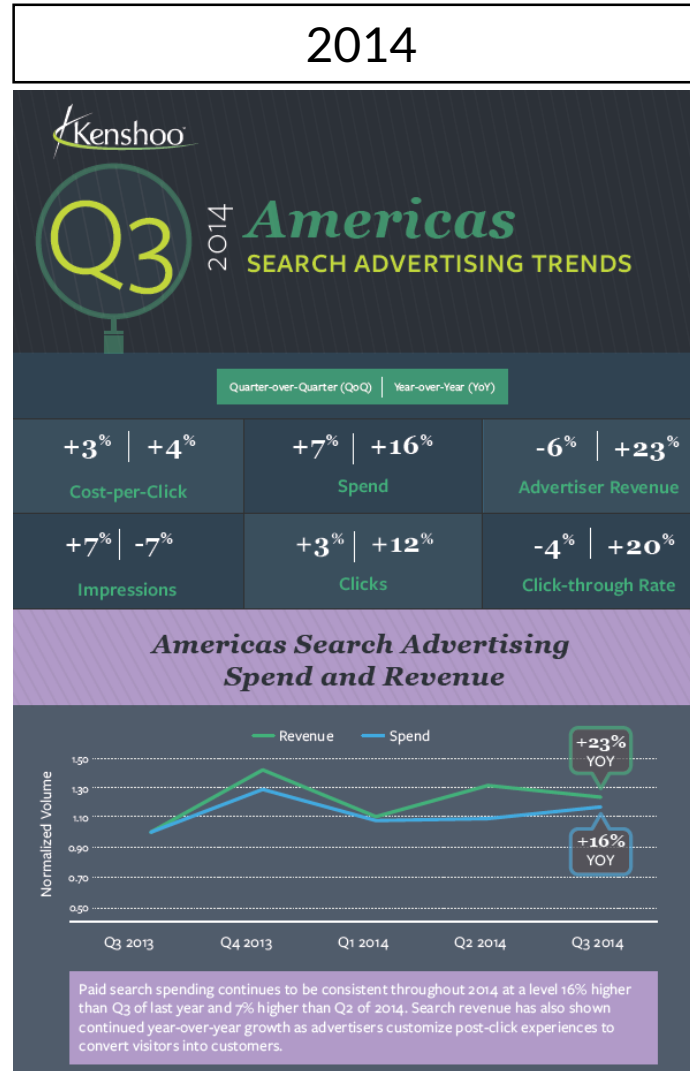
# Introduction

Kenshoo has published infographics of key digital marketing trends for years

In the past, there has also been a trends webinar that served a primarily financial audience

After sharing this webinar content with marketers over time, it became obvious that a marketer-focused webinar should be the main event

This presentation will be accompanied by our regularly-scheduled quarterly infographic and a longform report that delves into the topics in this presentation



# Agenda

- Industry Insights
- Market Trends
- Emerging Channels
- In The News
- Methodology
- Q&A



# Always Remember as a Marketer

You may zig when everyone else zags, and you may have a very good reason for that

These trends provide context for your performance, not judgment that any individual marketer is doing things “right” or “wrong”

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# Industry Insights

# The Big Picture

No signs of weakness in ad spending across digital advertising channels, as social, search and ecommerce spending all grew in the second quarter

Shopping ads drove impressions higher for search marketers, but slowed overall impression growth for social

Ecommerce Channel Ads saw ad spending in Q2 comparable to the holidays



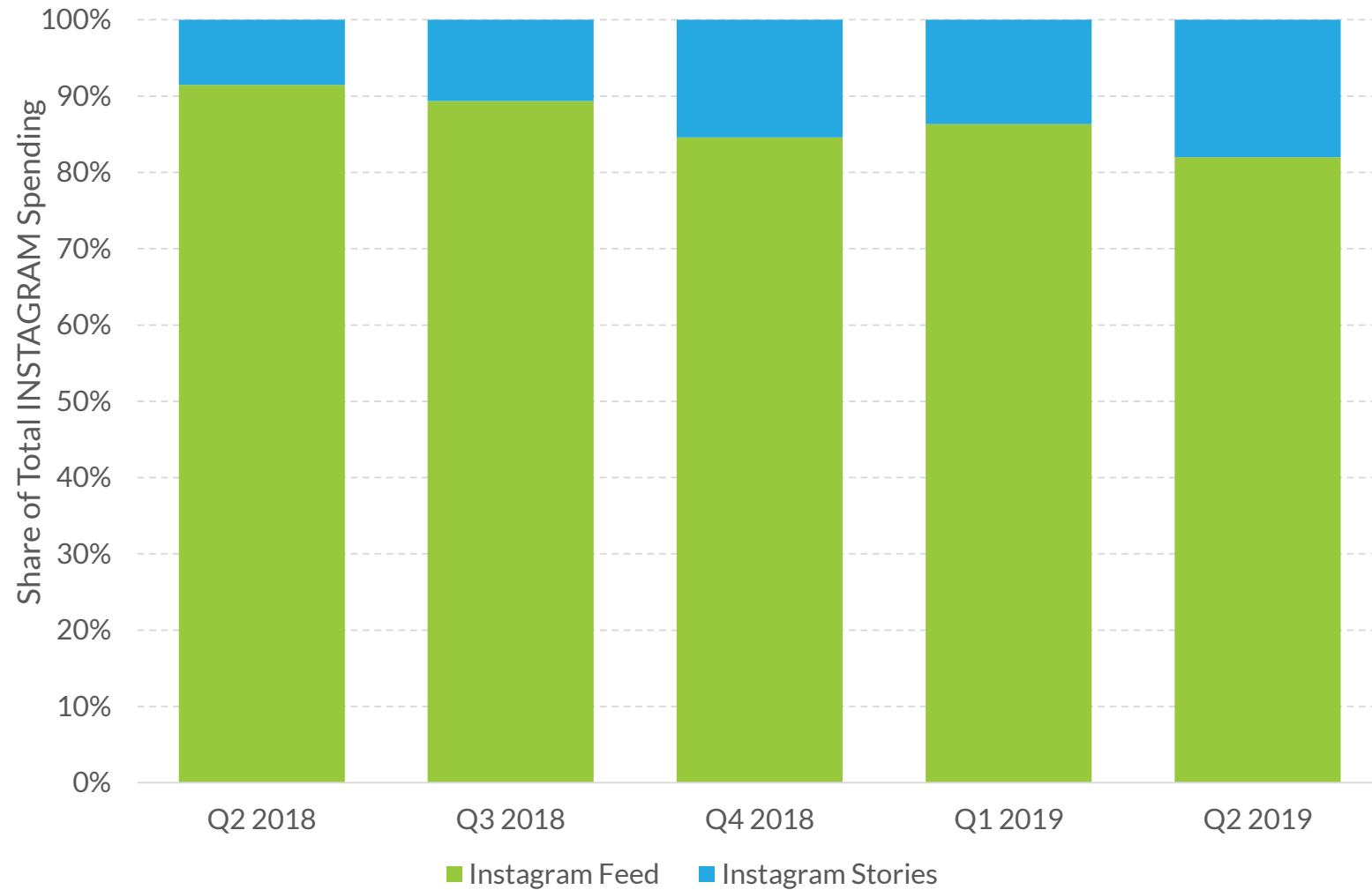


# SOCIAL

## Stories doubles share of total Instagram spending

As a share of total Instagram spending, the Stories format has doubled its share from 9% to 18%

During that same period, Instagram as a share of total Facebook has not changed

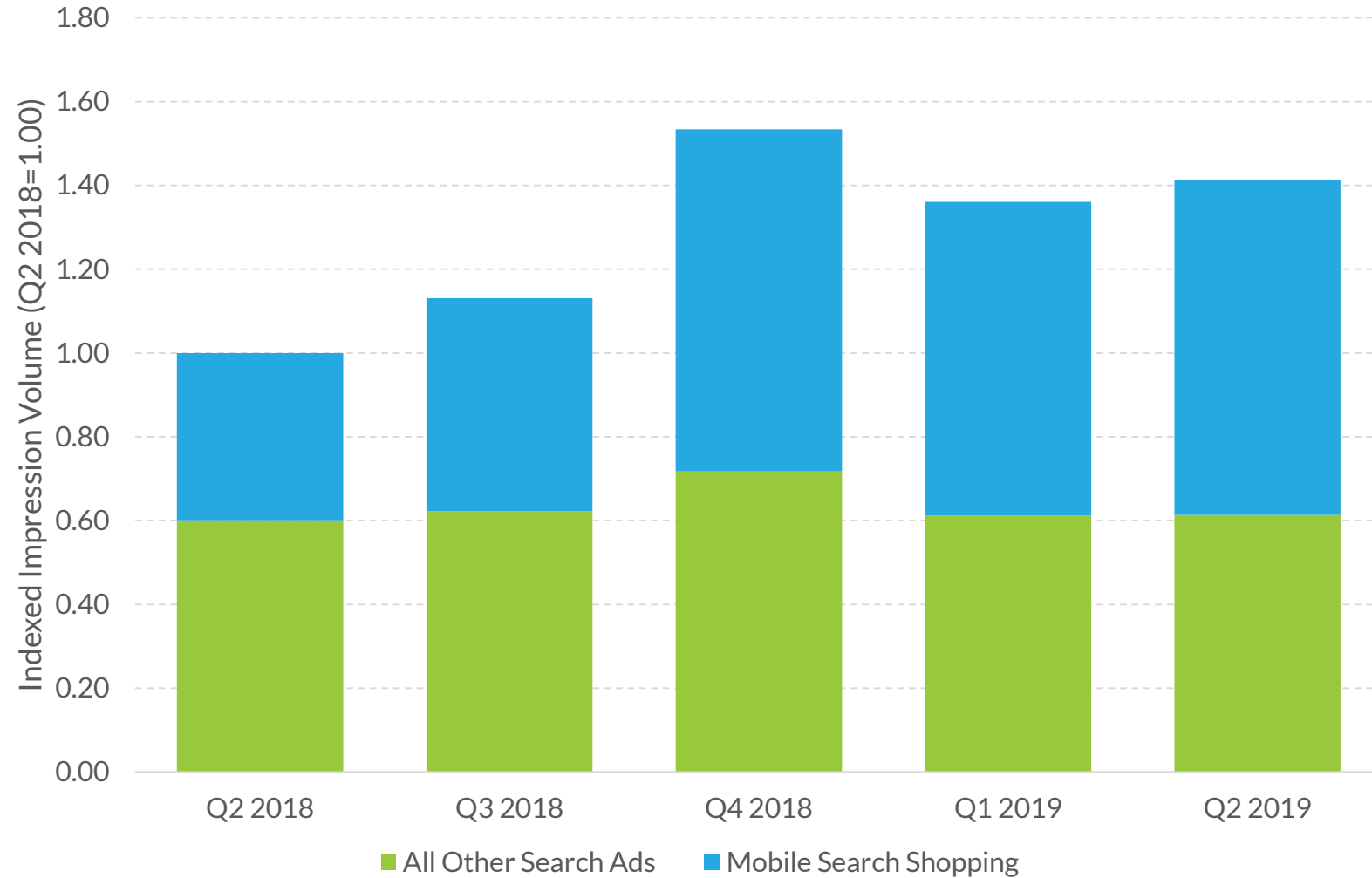


# SEARCH

## Mobile Shopping driving impression growth

Impressions from Mobile Search Shopping campaigns have doubled year-over-year, while the rest of search has remained mostly flat

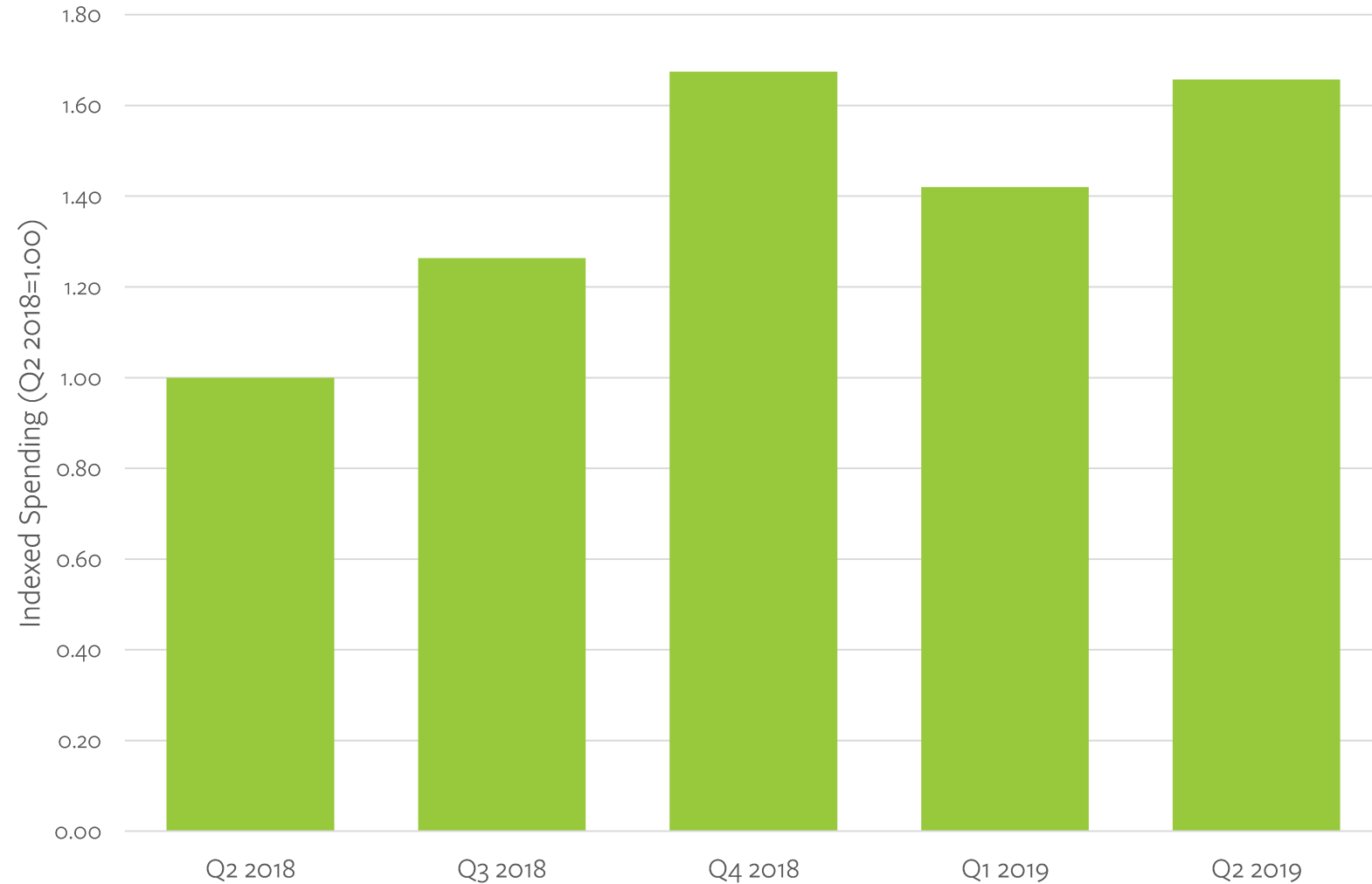
As reported previously, much of this momentum comes from large, diverse e-tailers and marketplaces as they expand down the long tail of products



# ECOMMERCE

## Q2 spending almost surpassed Q4

Same-advertiser  
spending on  
Ecommerce  
Channel Ads  
increased 66%  
year-over-year  
(YoY)

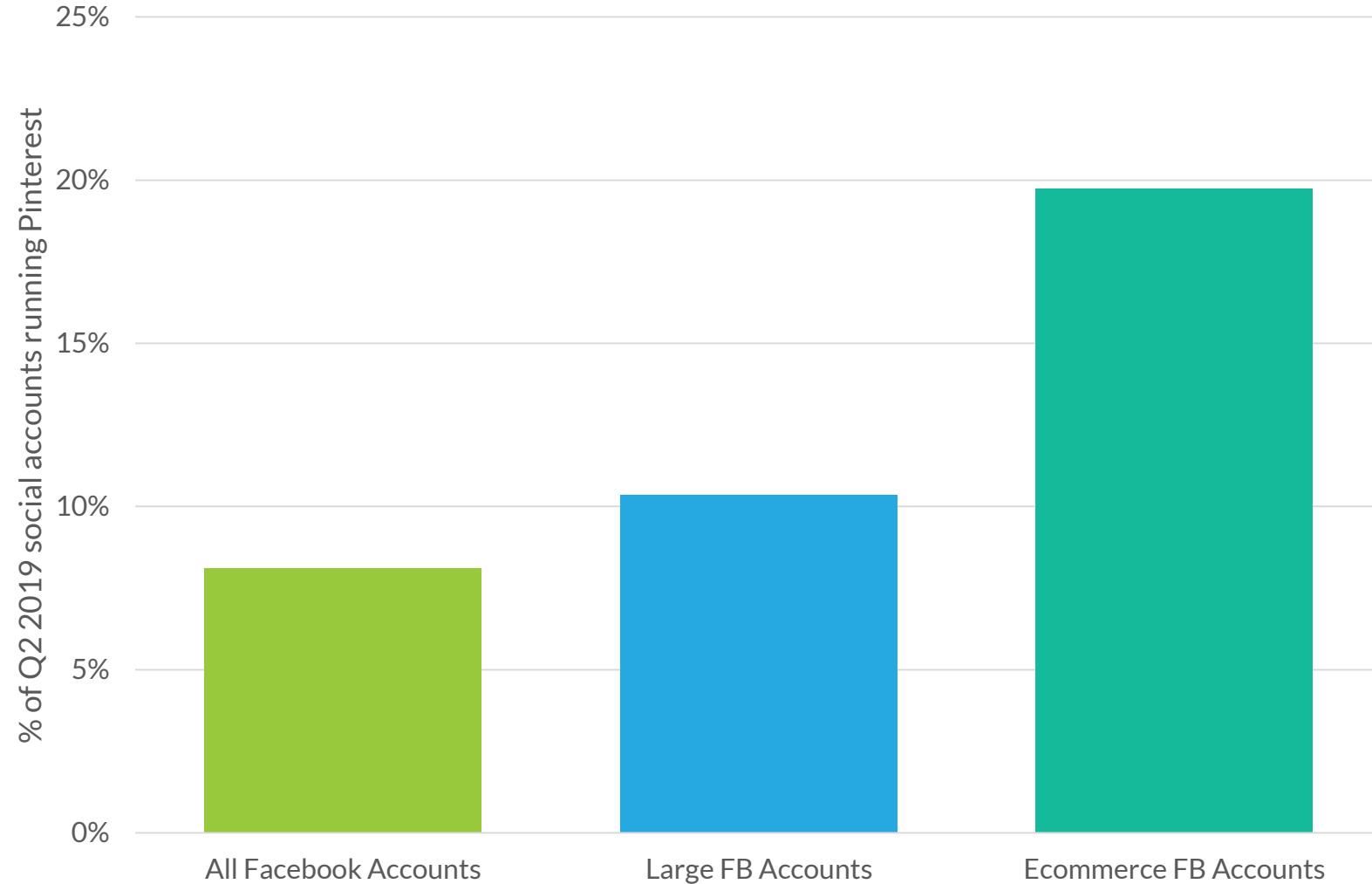


# PINTEREST

## Bigger budgets and Ecomm go for Pinterest

In the markets where Pinterest is available, 1 in 10 large Facebook advertisers are running Pinterest ad campaigns, and 1 in 5 Facebook advertisers in the ecommerce vertical

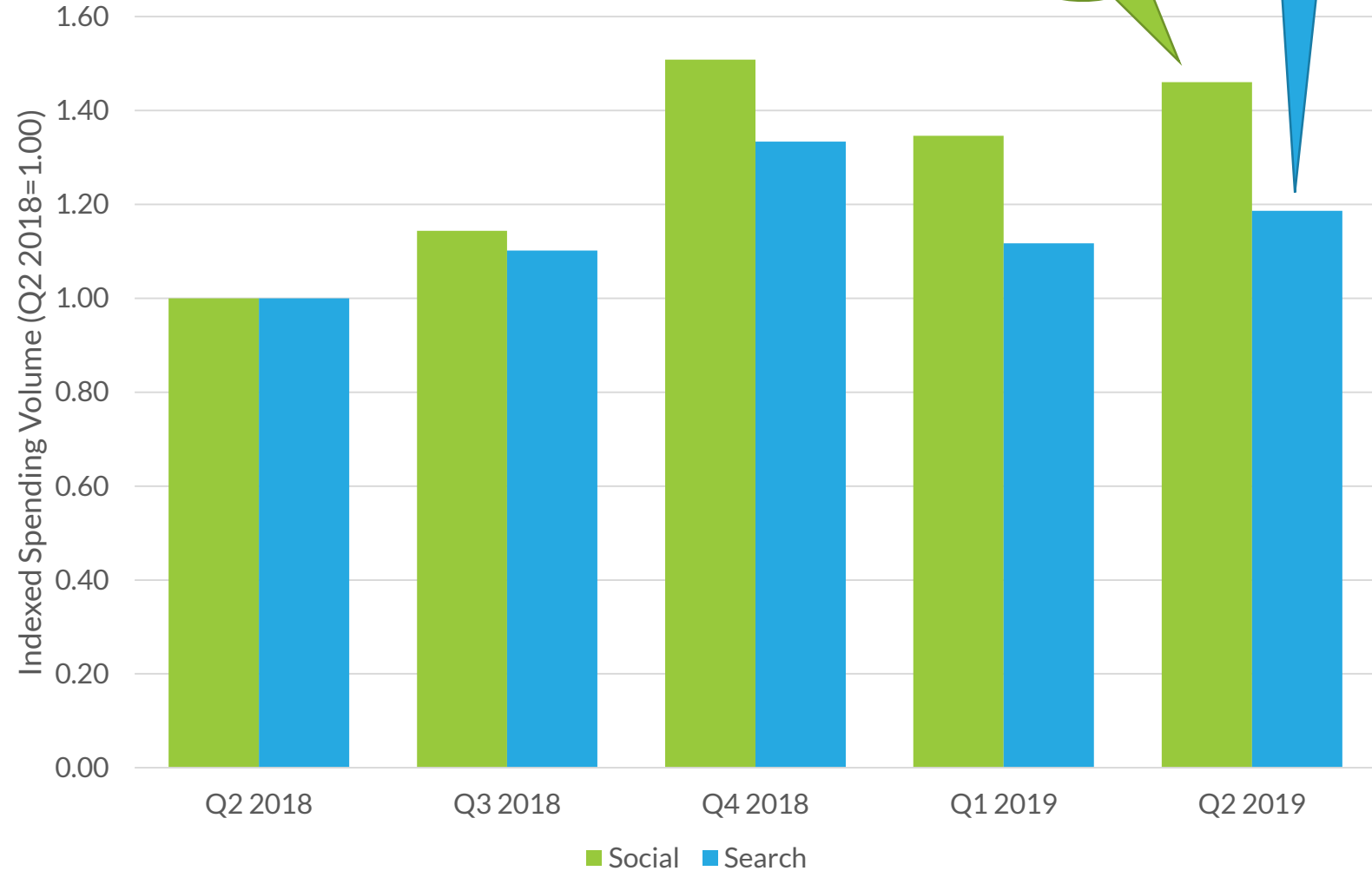
All of these adoption rates are at least double what they were in Q2 2018



# CROSS-CHANNEL Mobile Trends

Mobile ads comprised 87% of Q2 social spending and 51% of search spending

Year-over-year, spending growth for smartphones outpaced desktop in both channels

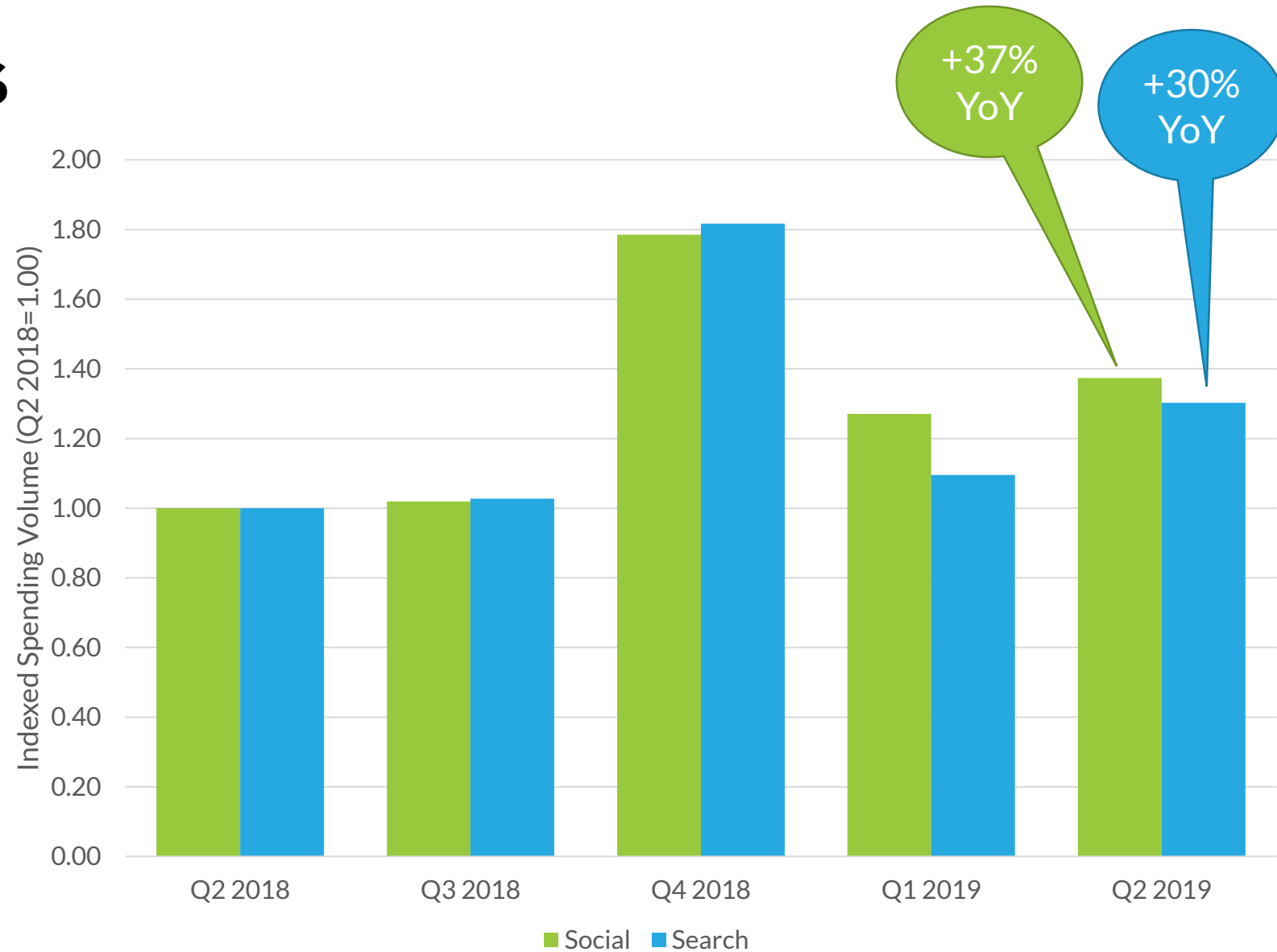




# CROSS-CHANNEL Product Ad Trends

Shopping campaign ads comprised 46% of total Q2 search spending for Kenshoo ecommerce advertisers

For social, dynamic product ads made up 37% of the Q2 total for this industry category



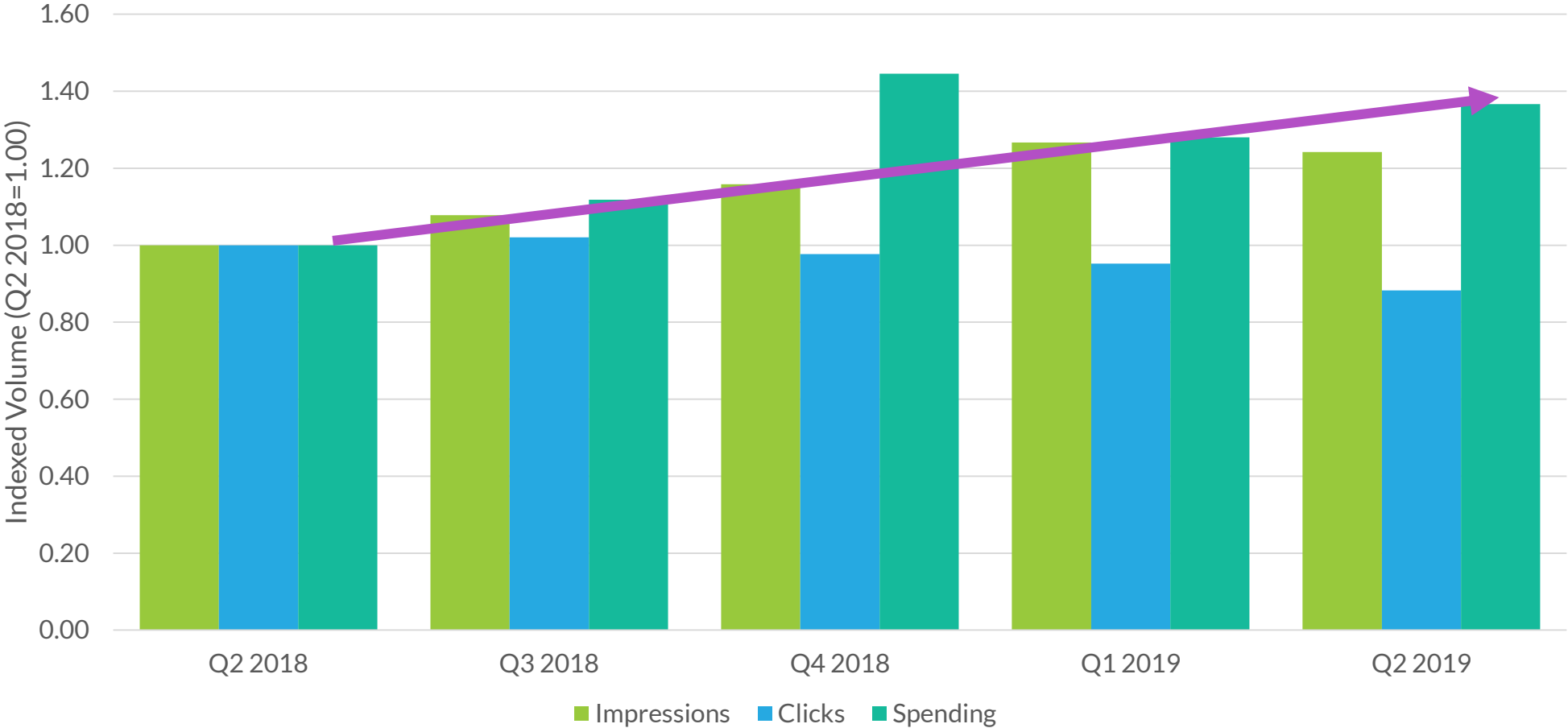


# Market Trends

Social  
Q2 2019

# Social Trends

Social Volume Growth

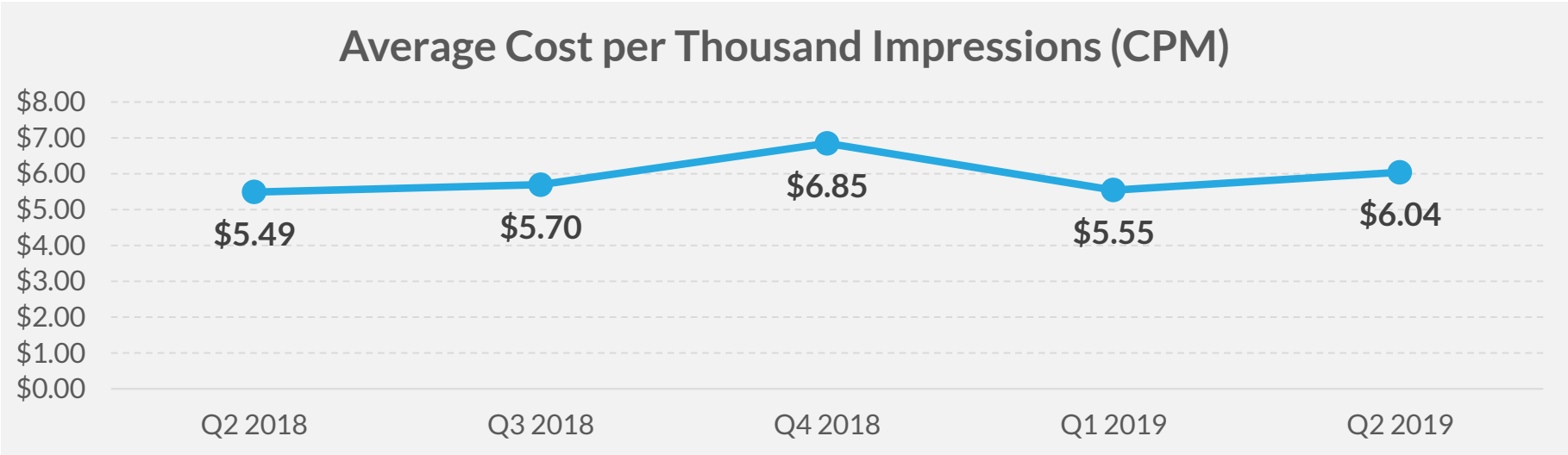
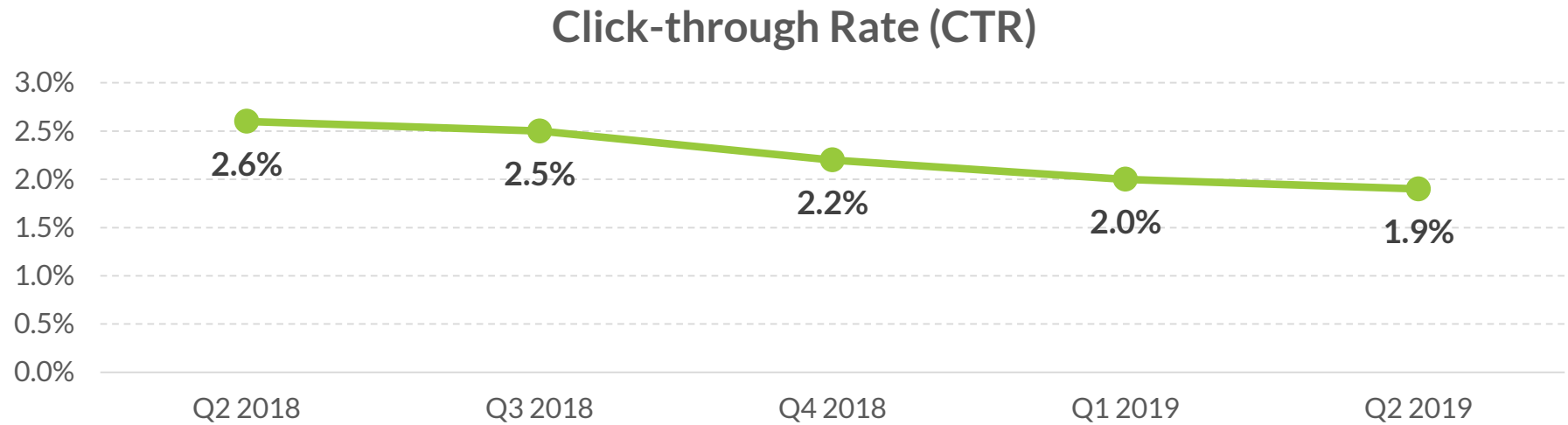


QoQ	YoY
Impressions	
-2%	+24%
Clicks	
-7%	-12%
Spending	
+7%	+37%

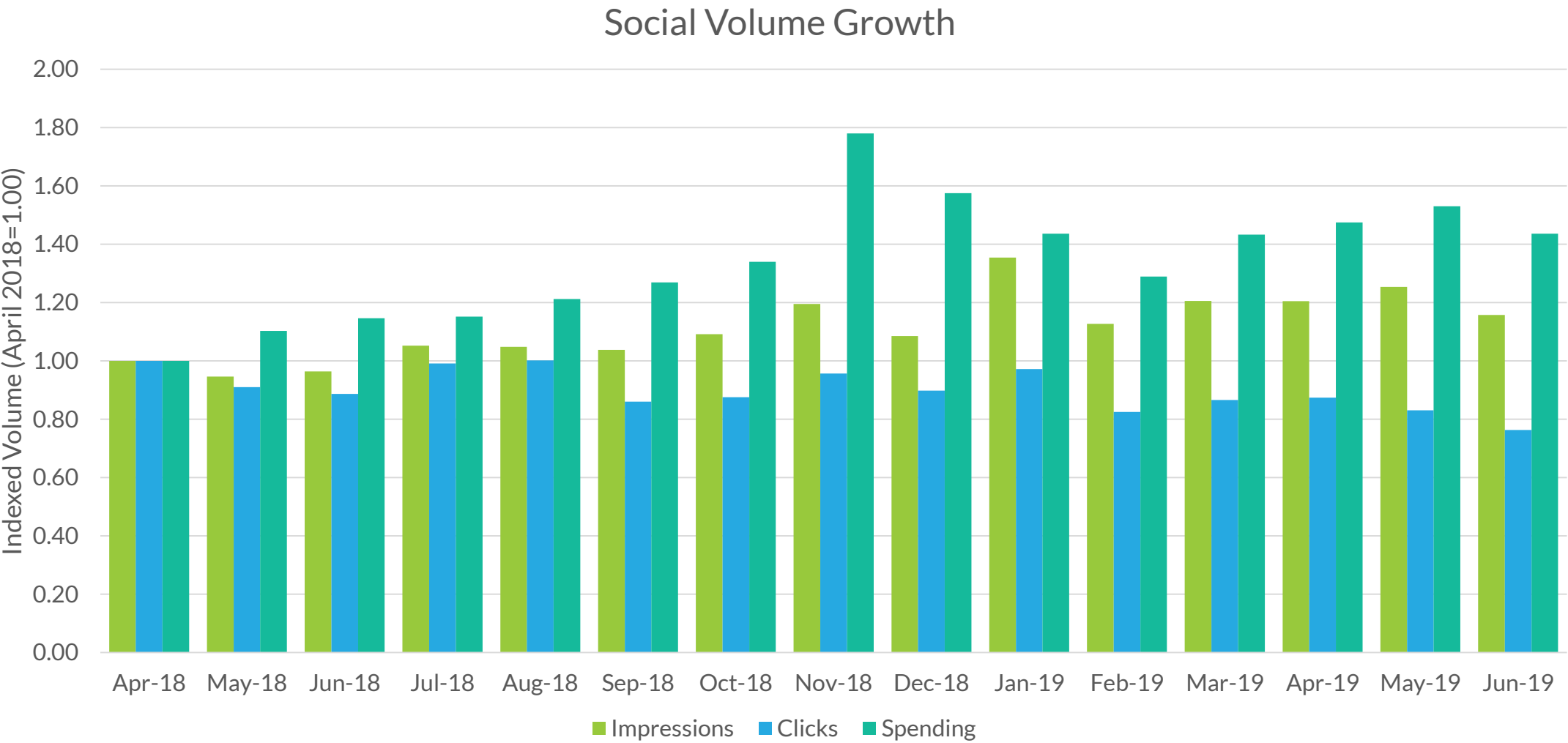


# Social Trends

QoQ	YoY
Click-through Rate	
-5%	-27%
CPM	
+9%	+10%



# Social Trends (Monthly)





# Social Summary

Paid Social ad spending grew 37% over the second quarter of 2018, driven by mobile and video ads

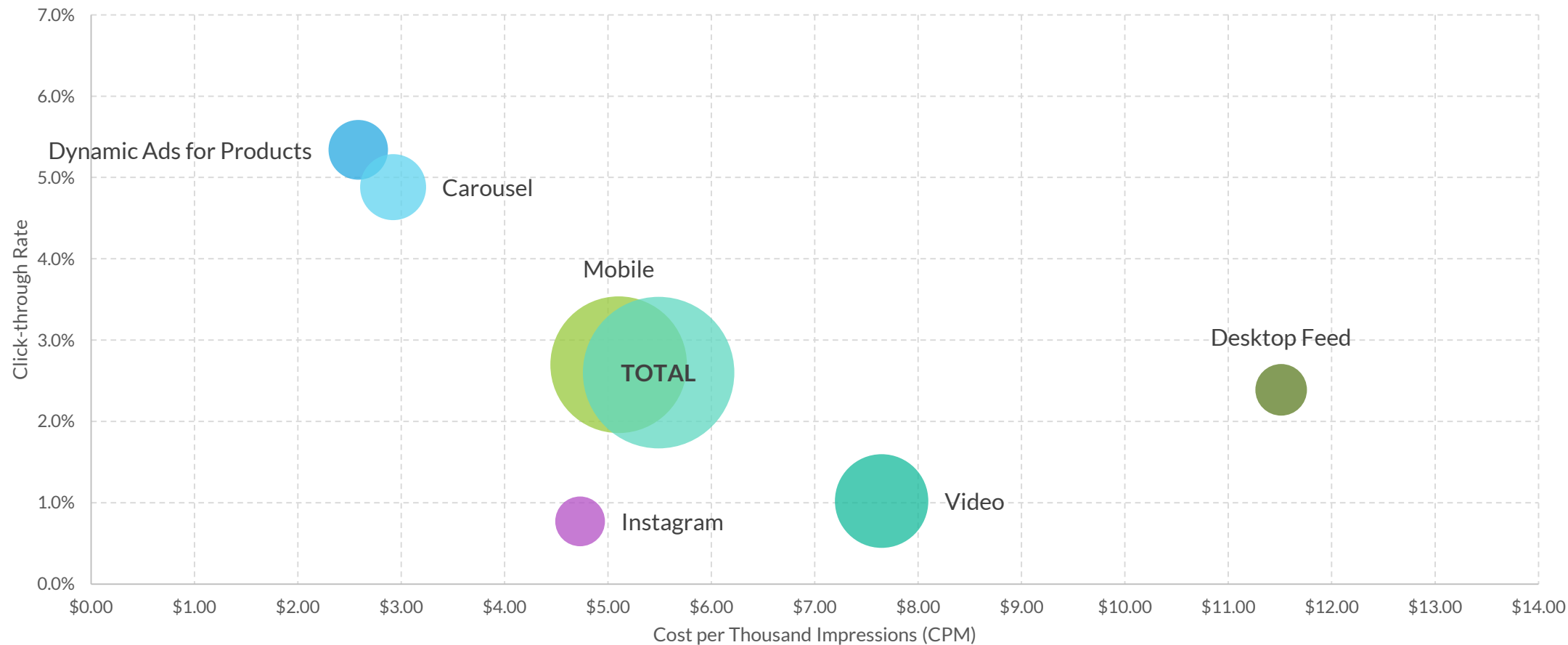
Video, Instagram and overall branding efforts continued to have an impact on explicit engagement with social ads, driving both click volume and click-through rate lower over time

On a CPM basis, Dynamic Ads for Products were the primary driver of pricing increases



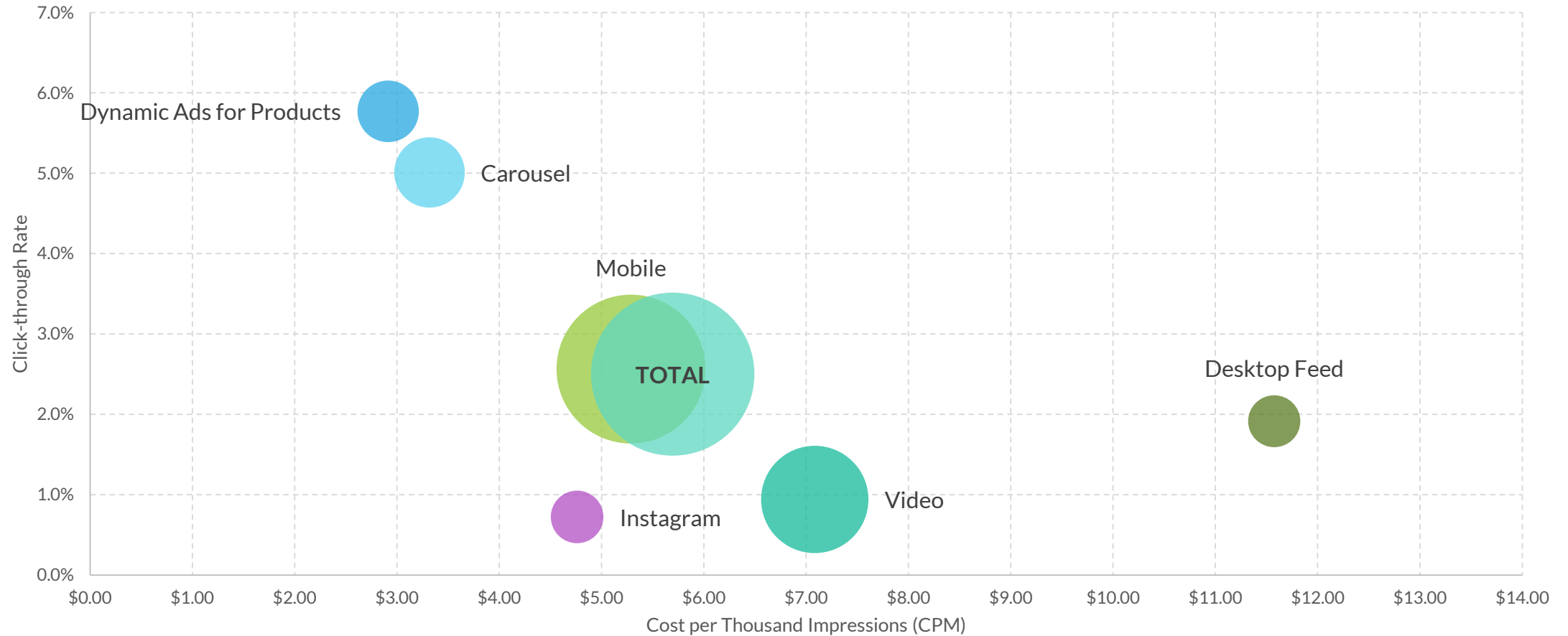
# Key Social Segments by Quarter

Q2 2018 Q3 2018 Q4 2018 Q1 2019 Q2 2019  
(Bubble size = Spending Volume. Bubbles are not mutually exclusive.)



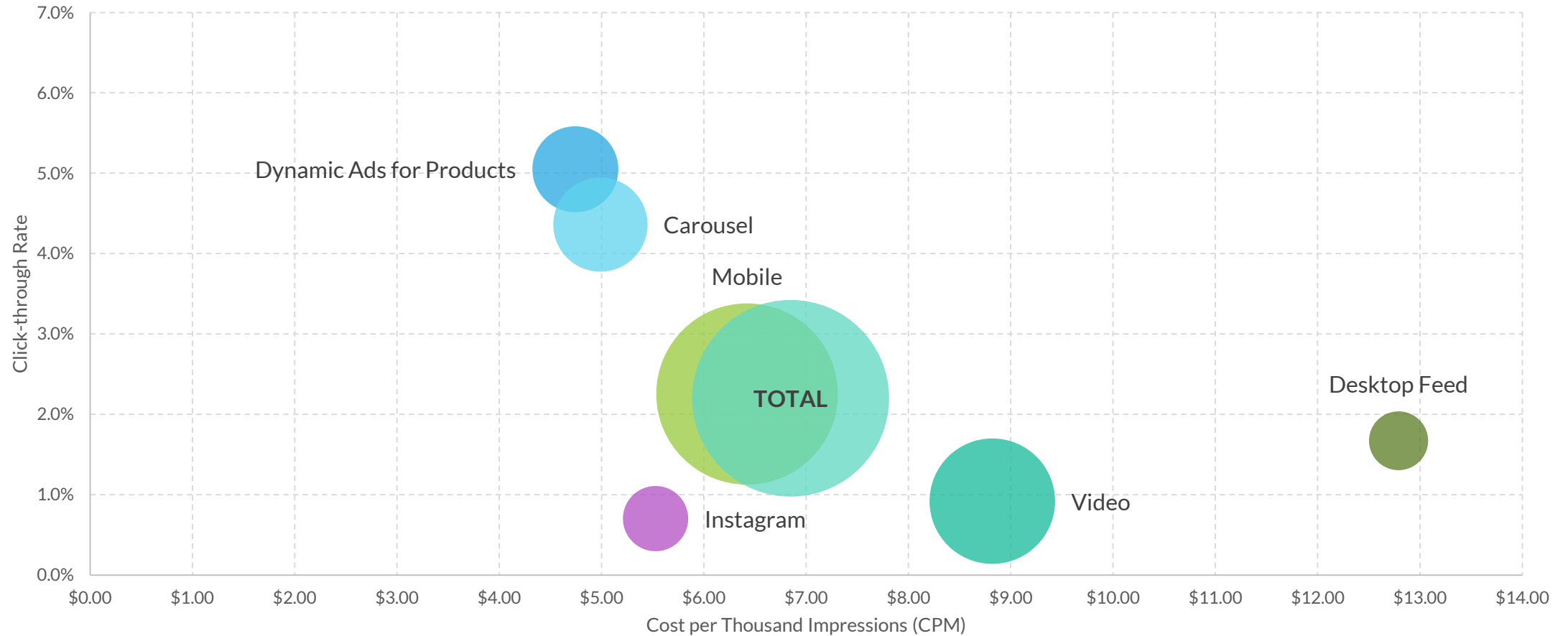
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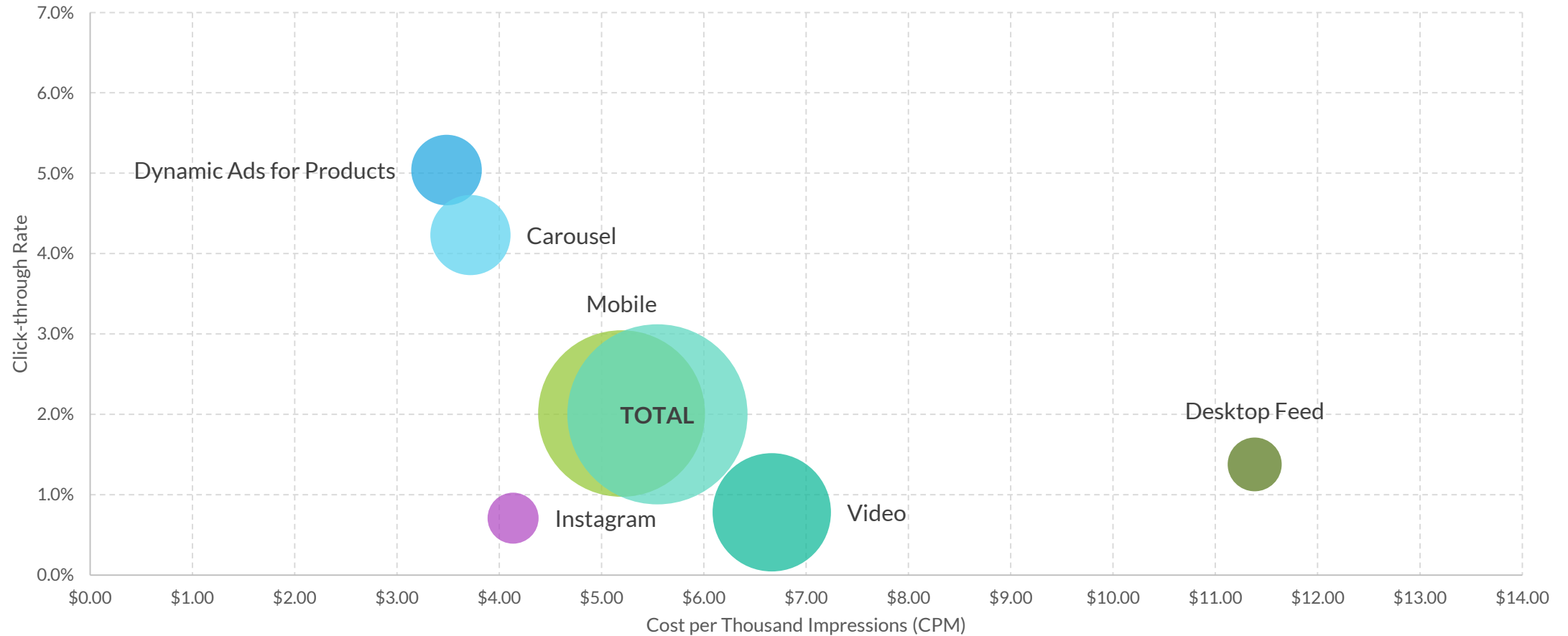
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Q2 2018 Q3 2018 **Q4 2018** Q1 2019 Q2 2019  
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# Key Social Segments by Quarter

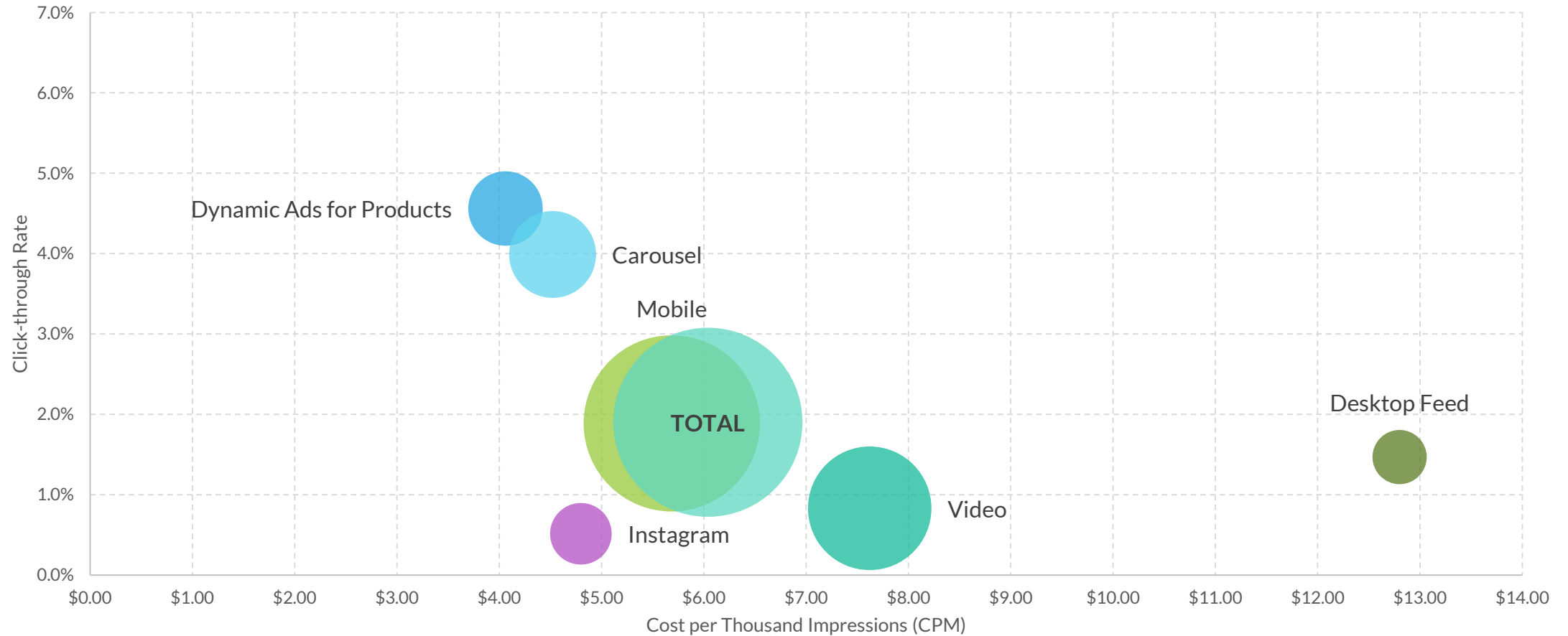
Q2 2018 Q3 2018 Q4 2018 **Q1 2019** Q2 2019  
(Bubble size = Spending Volume. Bubbles are not mutually exclusive.)





# Key Social Segments by Quarter

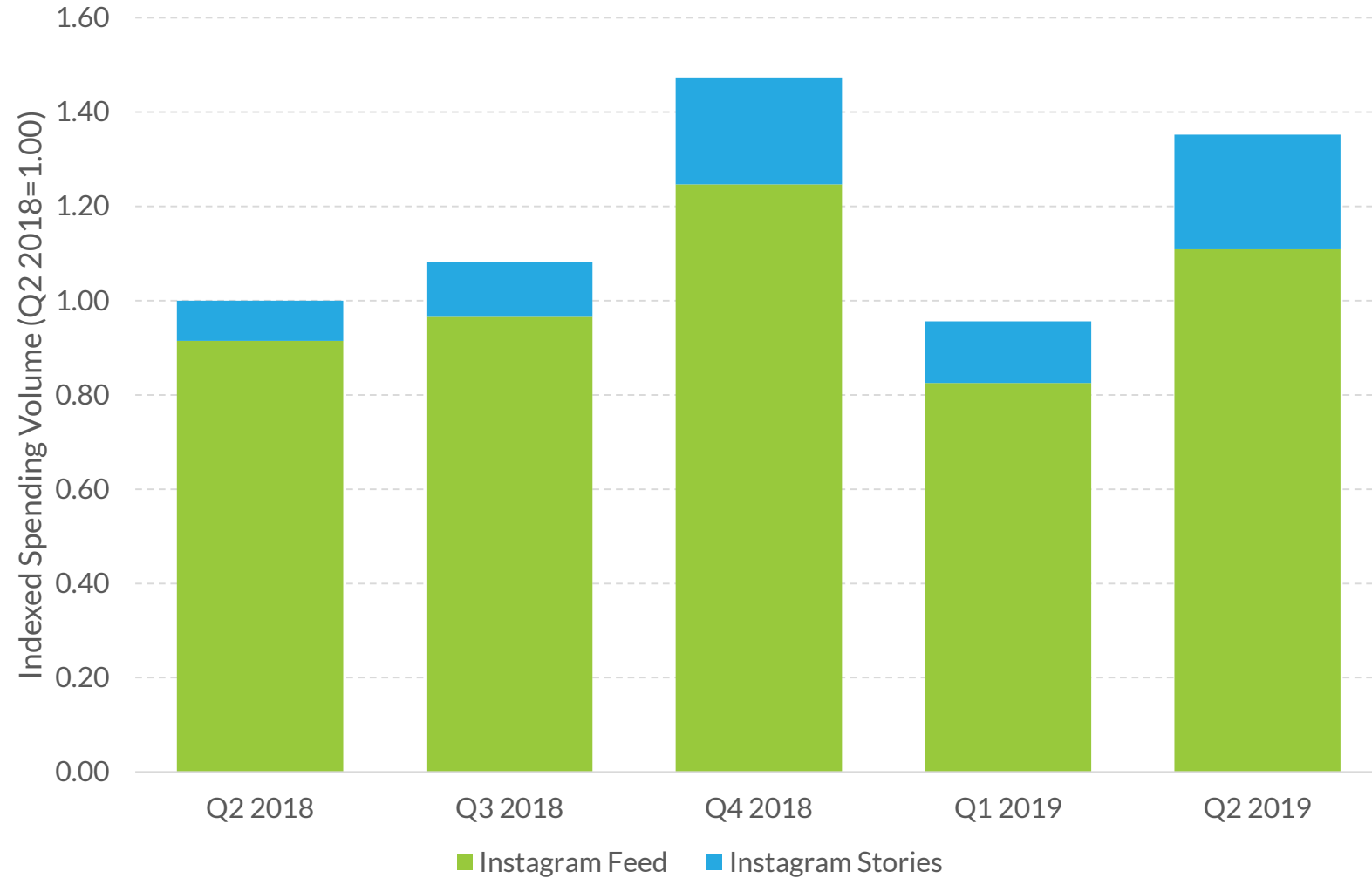
Q2 2018 Q3 2018 Q4 2018 Q1 2019 **Q2 2019**  
(Bubble size = Spending Volume. Bubbles are not mutually exclusive.)



# Focus On: Instagram

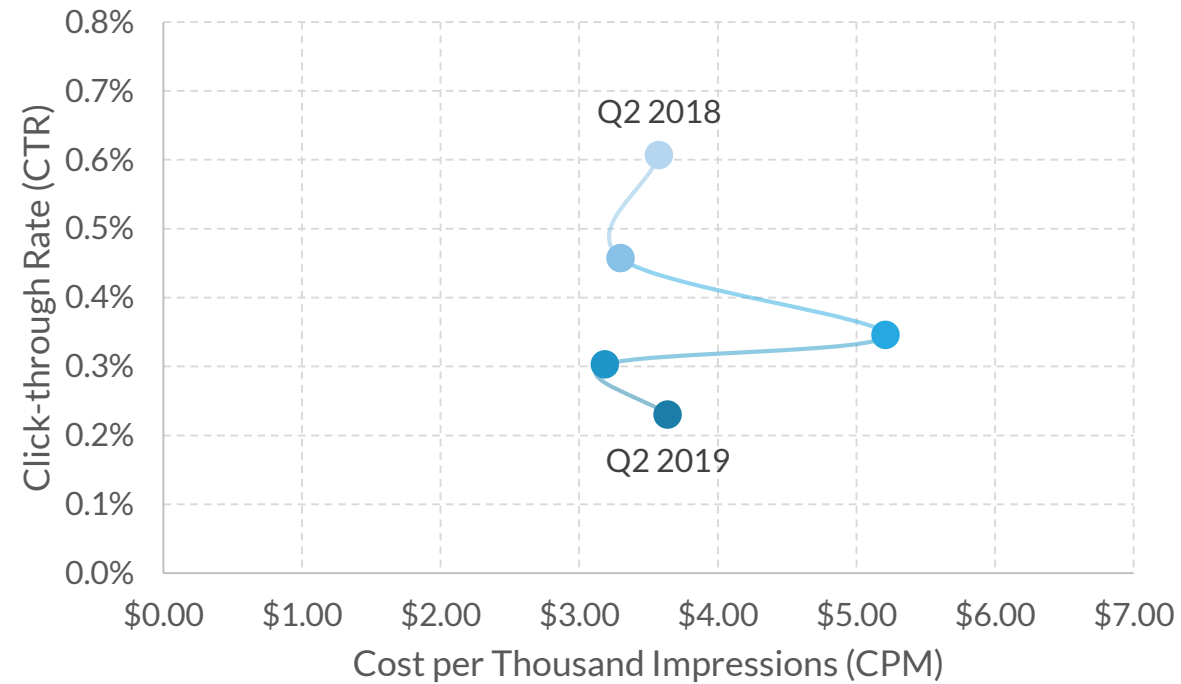
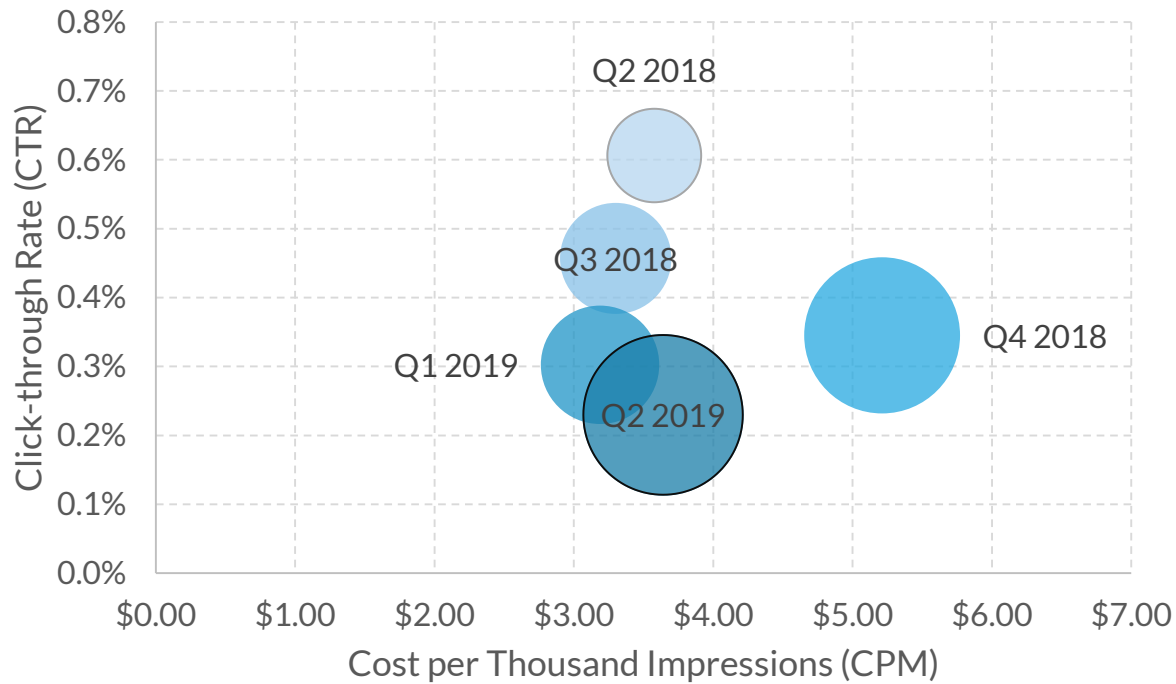
After rapid growth throughout 2018, Instagram growth is now roughly at parity with the rest of Facebook

However, as a share of total Instagram, Stories has doubled from 9% to 18%



# Focus On: Instagram Stories

Bubble size=spending volume



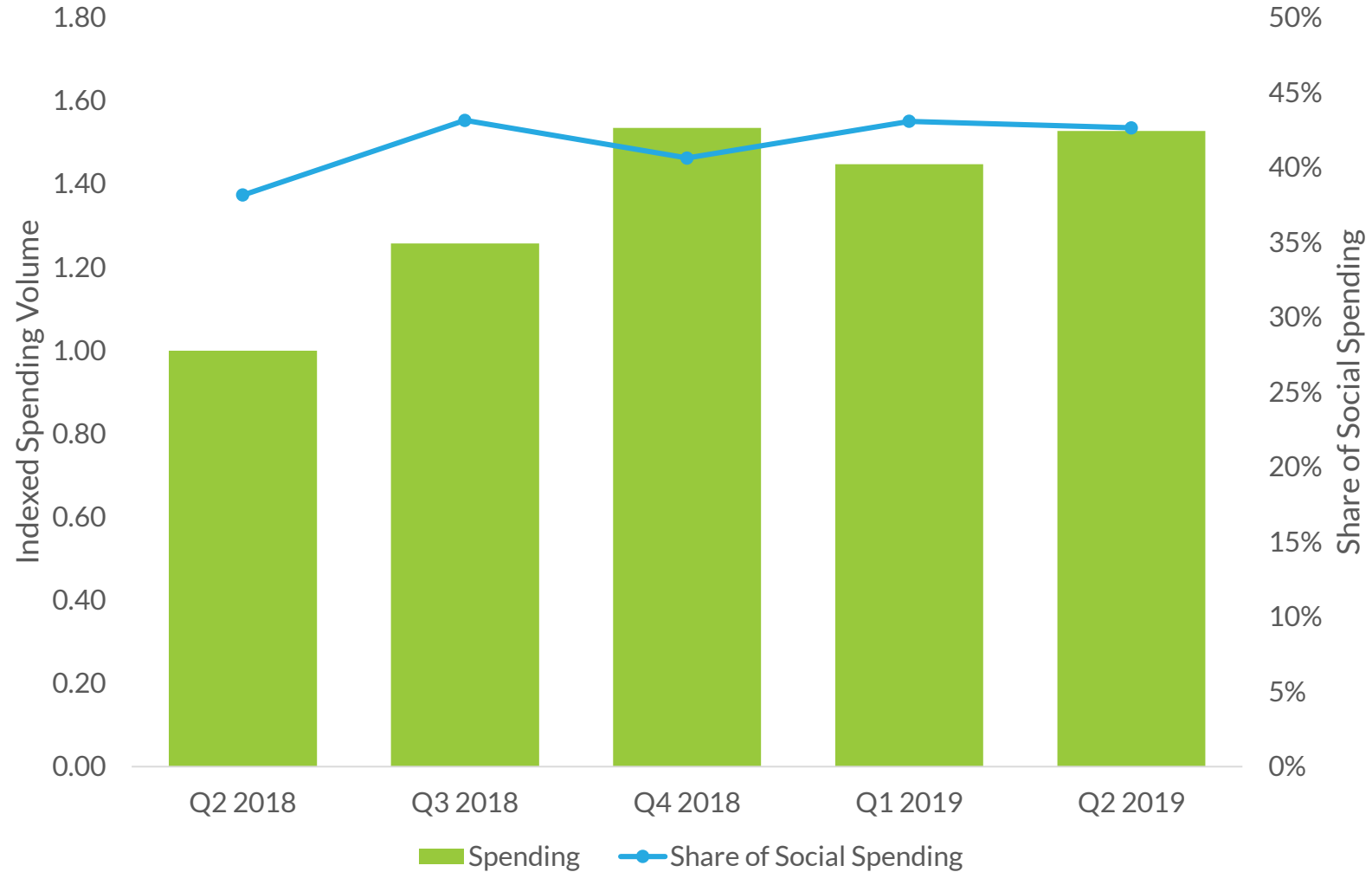
Instagram Stories ad spending increased 86% QoQ and 186% YoY, as the lower pricing and similar audience reach gives this placement a bit of an advantage over Instagram Feed. Lower CTRs do not impede spending growth.



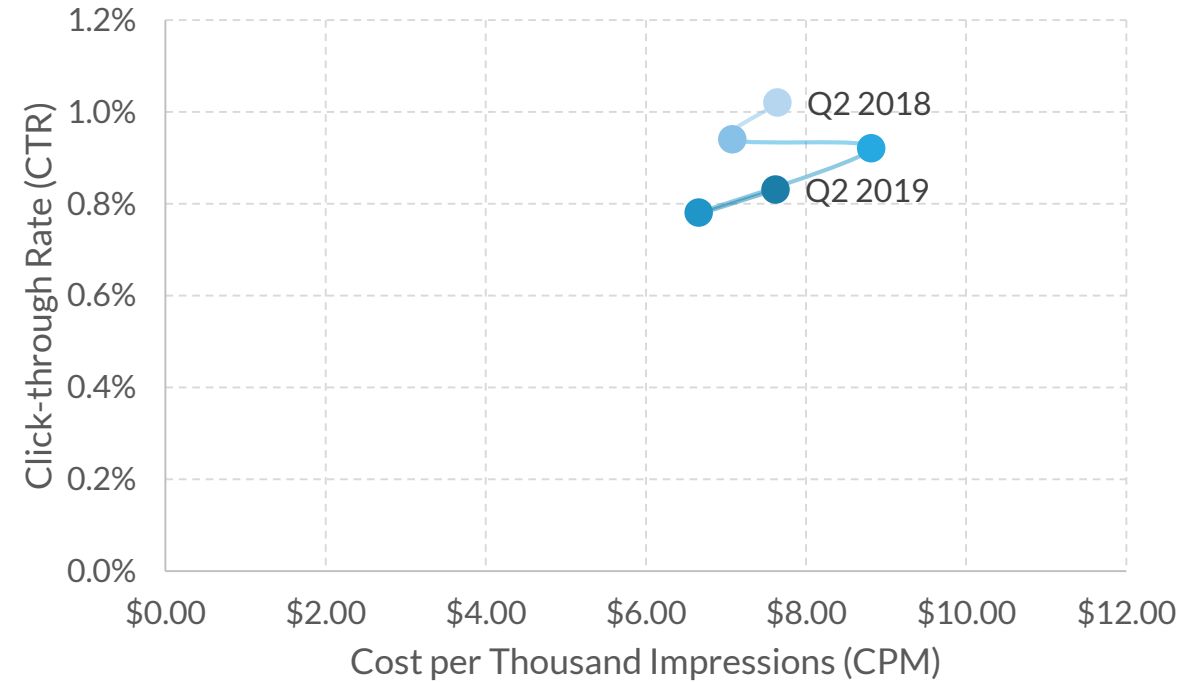
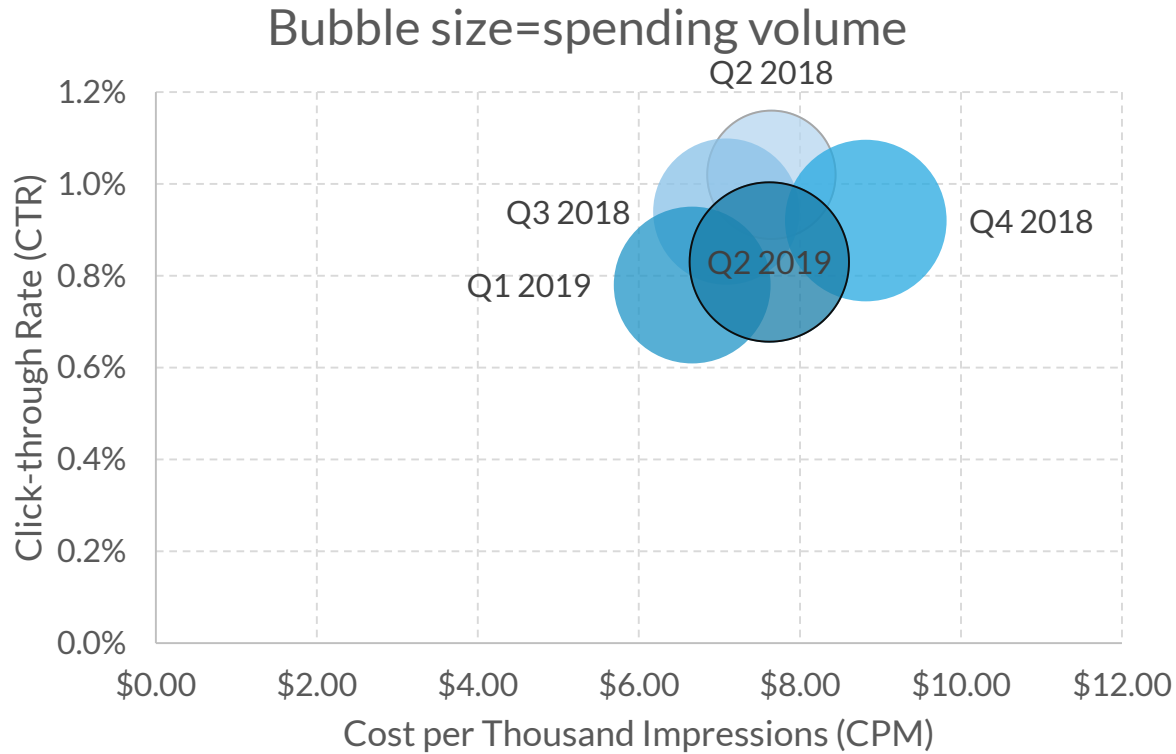
# Focus on: Social Video

Social video ad spending picked up again after a small decline in Q1

Prices and volume will likely accelerate for these ads as we approach the 2020 US elections



# Focus On: Social Video



Social Video ad spending grew 53% YoY and 6% QoQ. Direct engagement with these ads via user clicks continues to decline, but that may not be the best measure

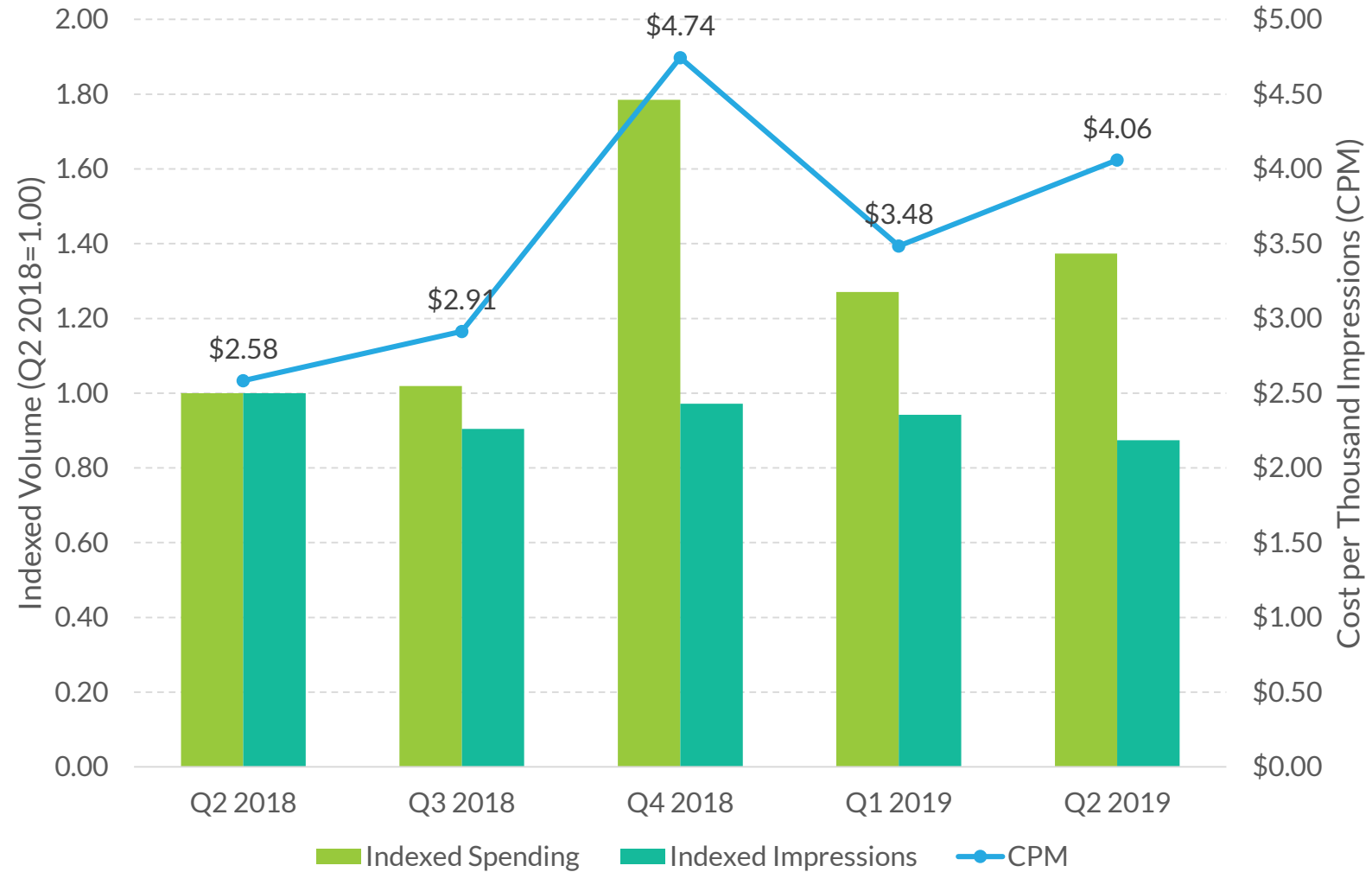




# Focus On: Product Ads

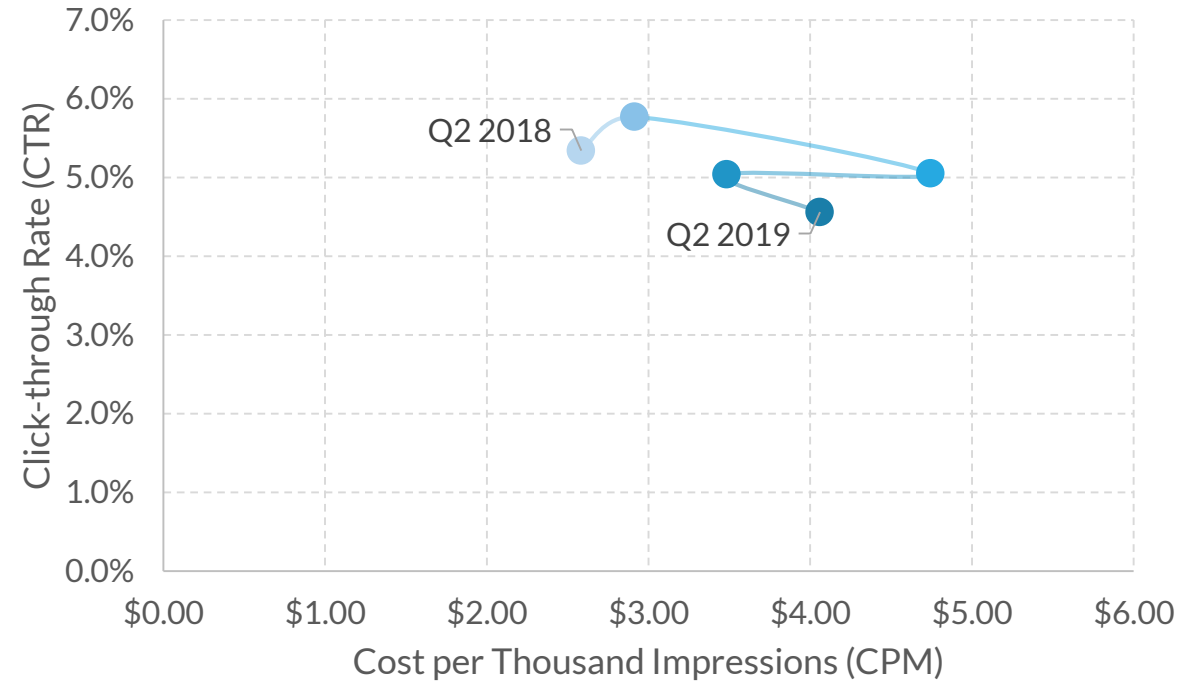
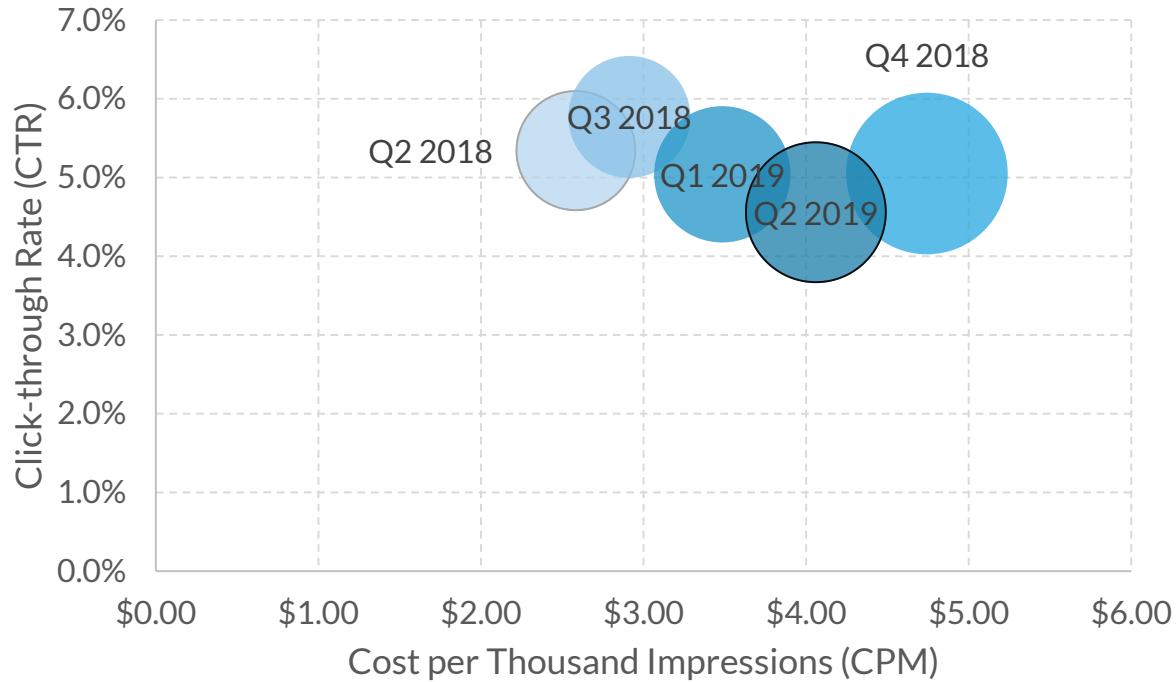
There are several possible explanations for fewer impressions in aggregate at higher unit pricing

Targeting more valuable audiences would result in this outcome, while optimizing towards either clicks or conversions makes CPM less relevant



# Focus On: Product Ads

Bubble size=spending volume



Dynamic Ads for Products grew 37% YOY, while CPMs saw an increase over Q1



# Things to Remember: Social

Spending growth has continued, at a slightly higher rate than in recent quarters

The role of social ads is evolving, and with the continued rise of visual ad formats, seems to be swinging back towards branding

Measuring ROI in this environment is going to require more holistic, broader measurement than whether or not an individual social ad results directly in a conversion



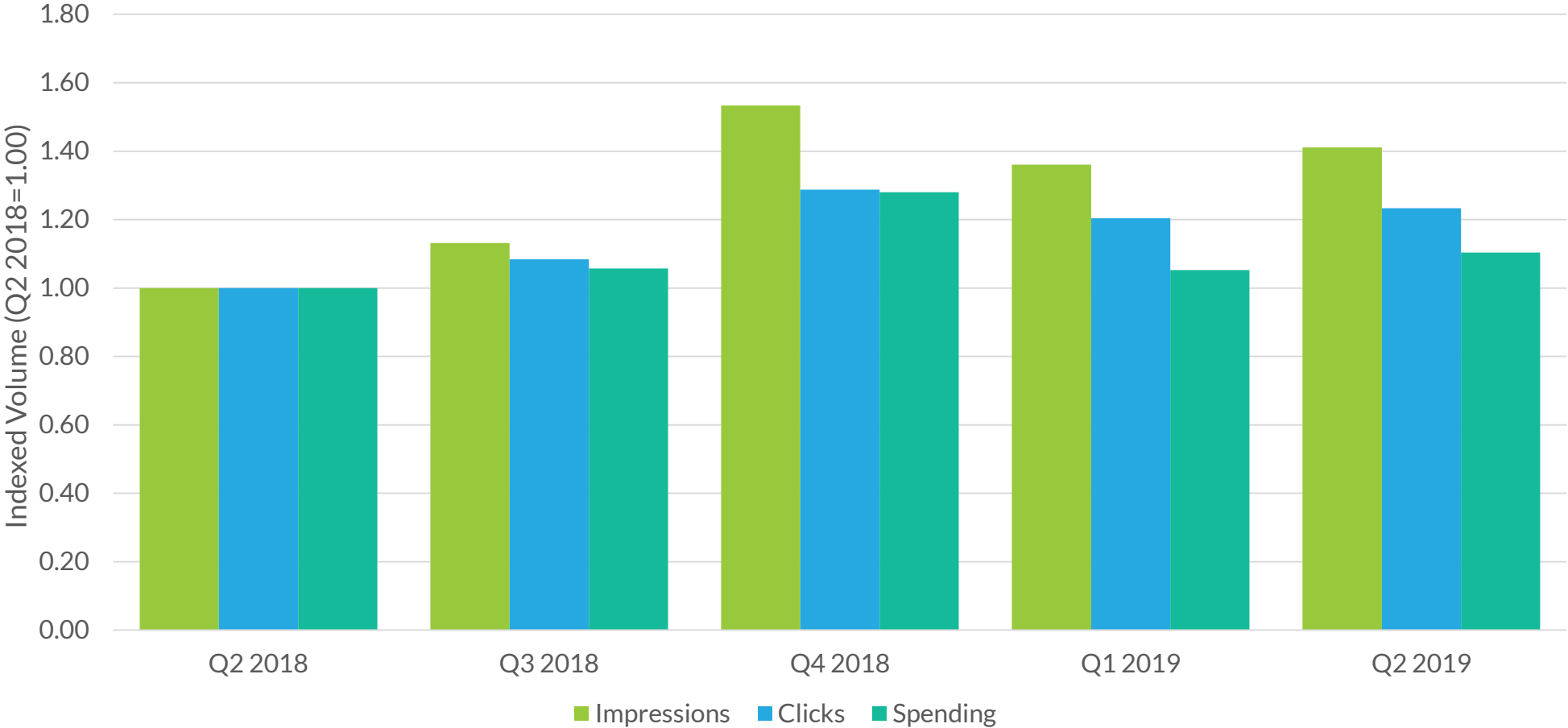


# Market Trends

Search  
Q2 2019

# Search Trends

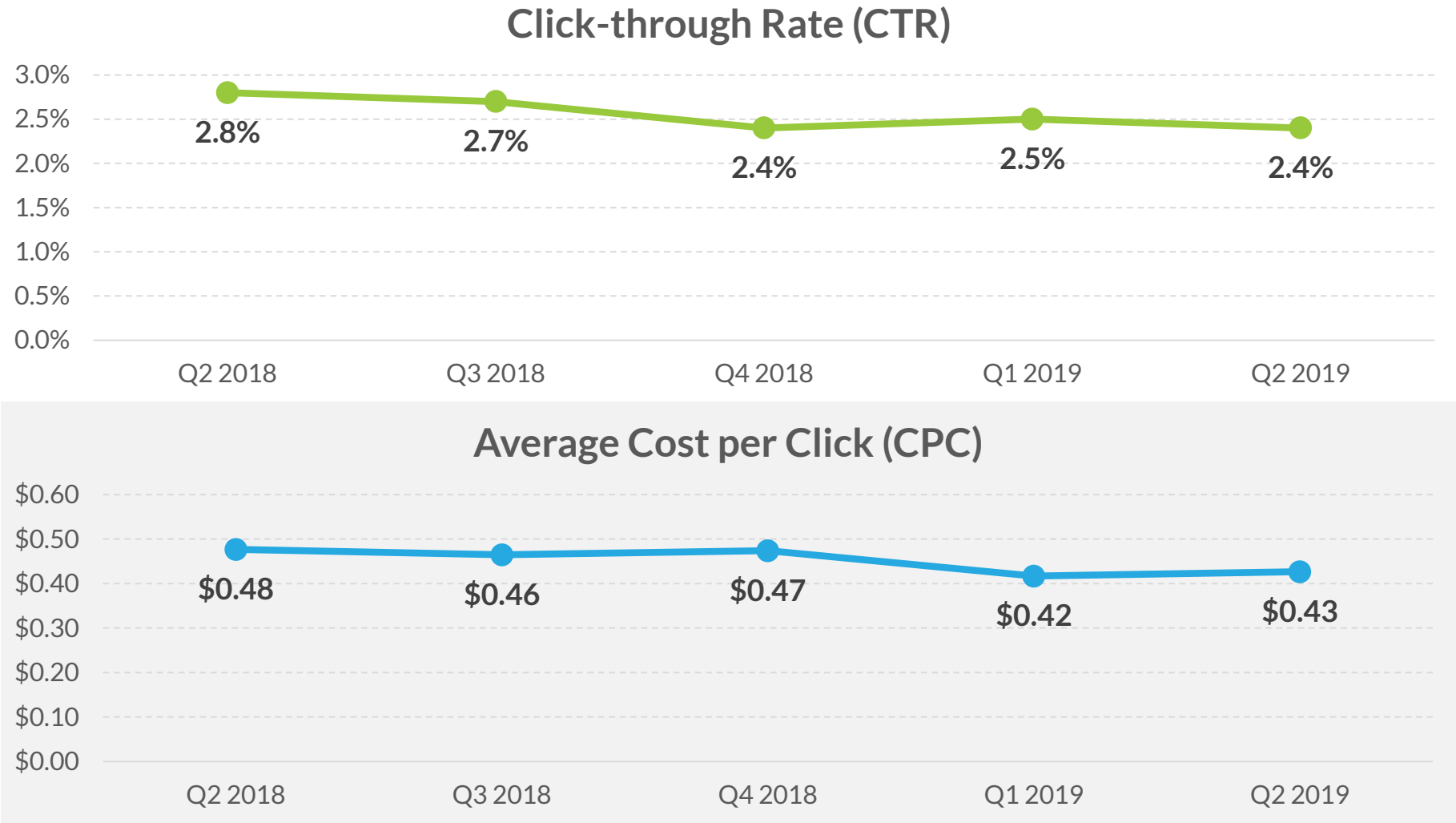
Search Volume Growth



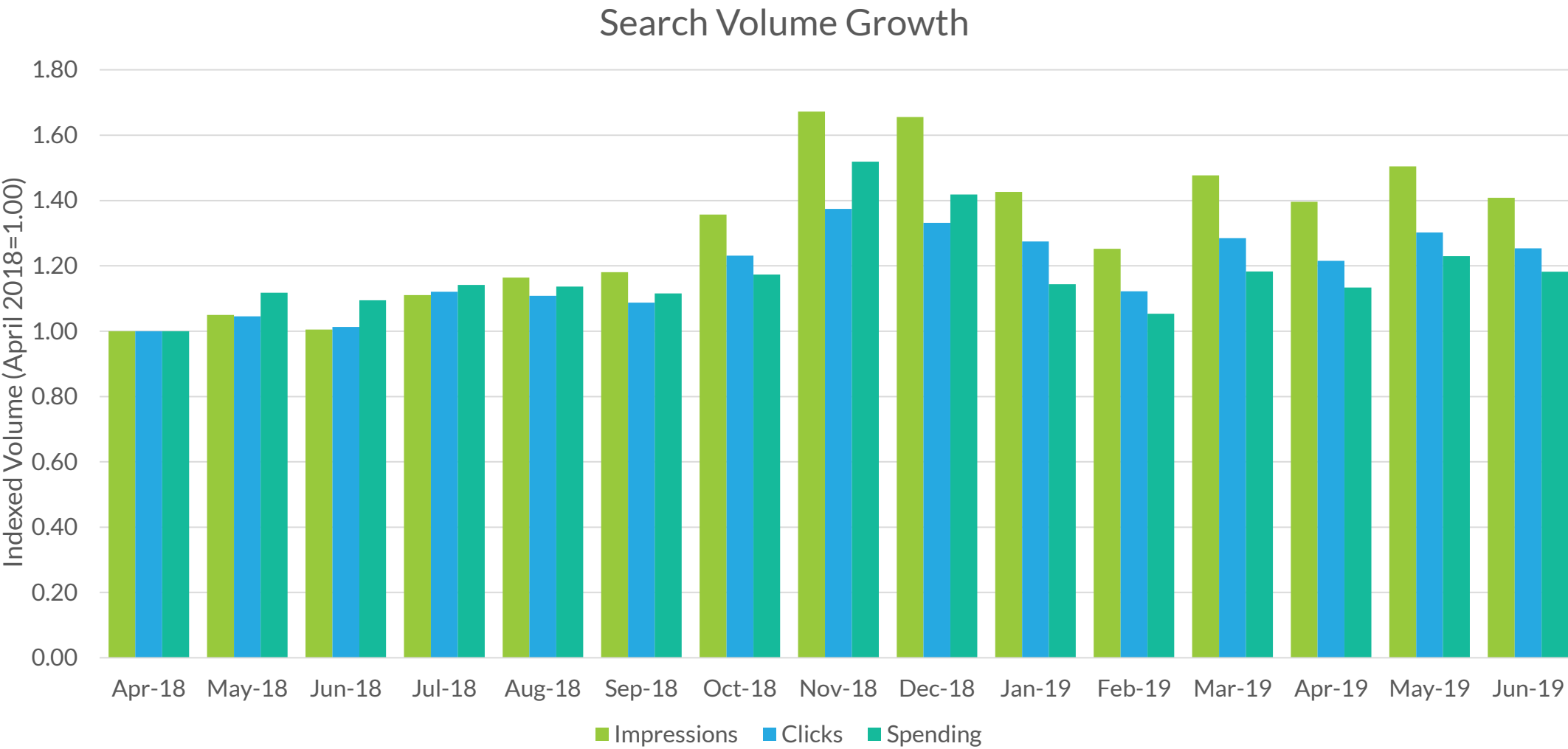
QoQ	YoY
Impressions	
+4%	+41%
Clicks	
+2%	+23%
Spending	
+5%	+10%

# Search Trends

QoQ	YoY
Click-through Rate	
-4%	-14%
CPC	
+2%	-10%



# Search Trends (Monthly)



# Search Highlights

Search impressions grew 41% year-over-year, as mobile search shopping campaigns doubled the number of eyeballs reached compared to Q2 of last year

These ads are typically lower-priced than other segments, so the net result on search spending was 10% YoY, which is very much in line with historical growth rates

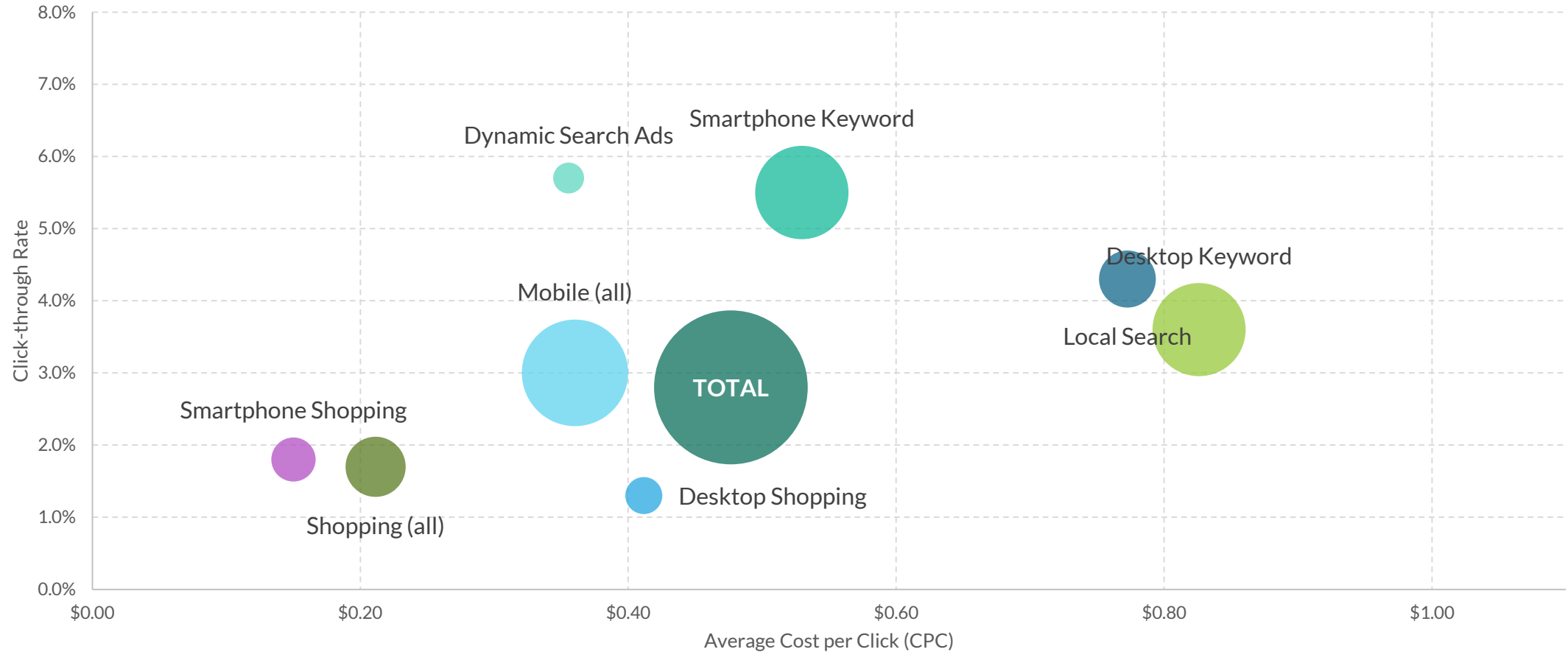
Lower cost-per-click and click-through rates for overall search were also driven primarily by mobile shopping ads



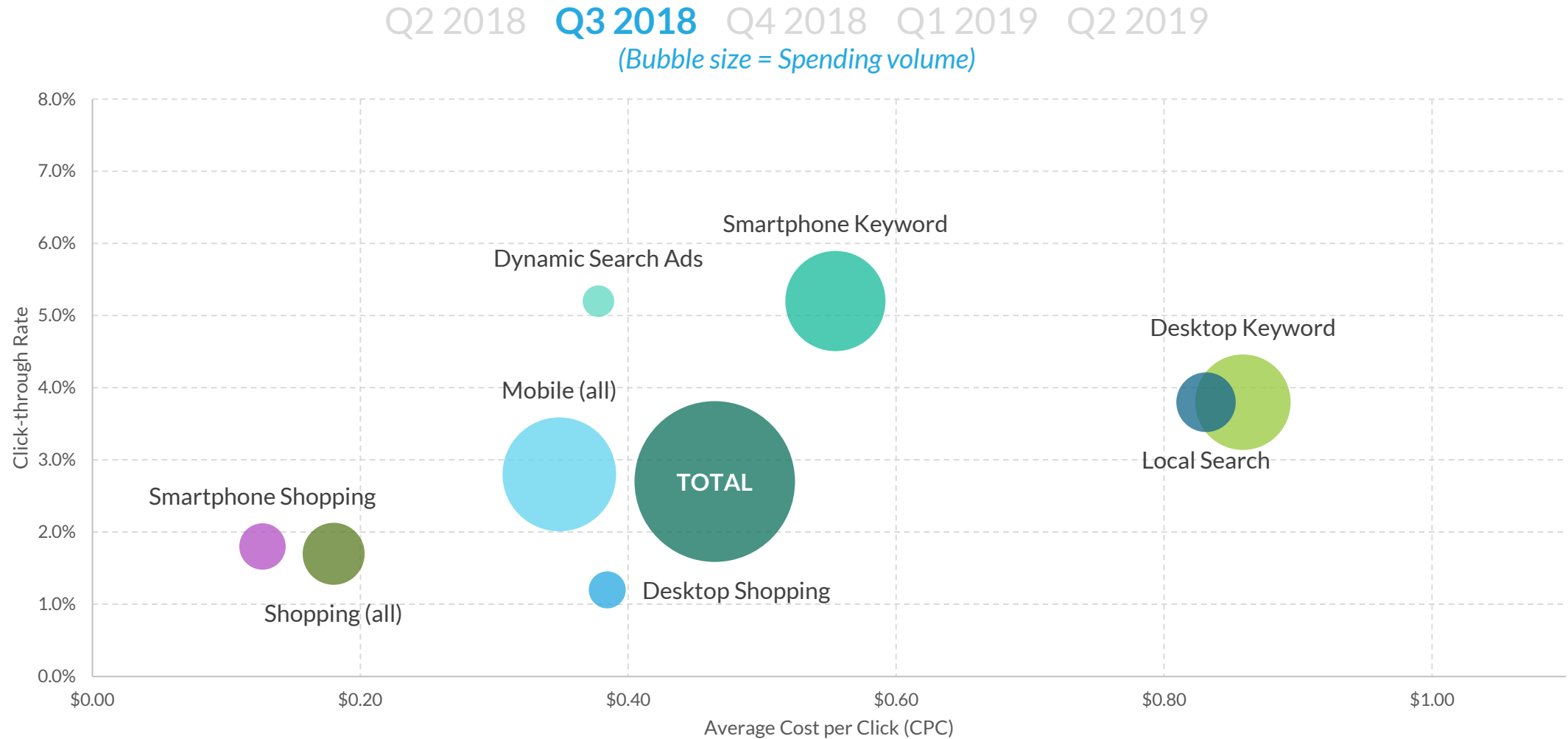


# Key Search Segments by Quarter

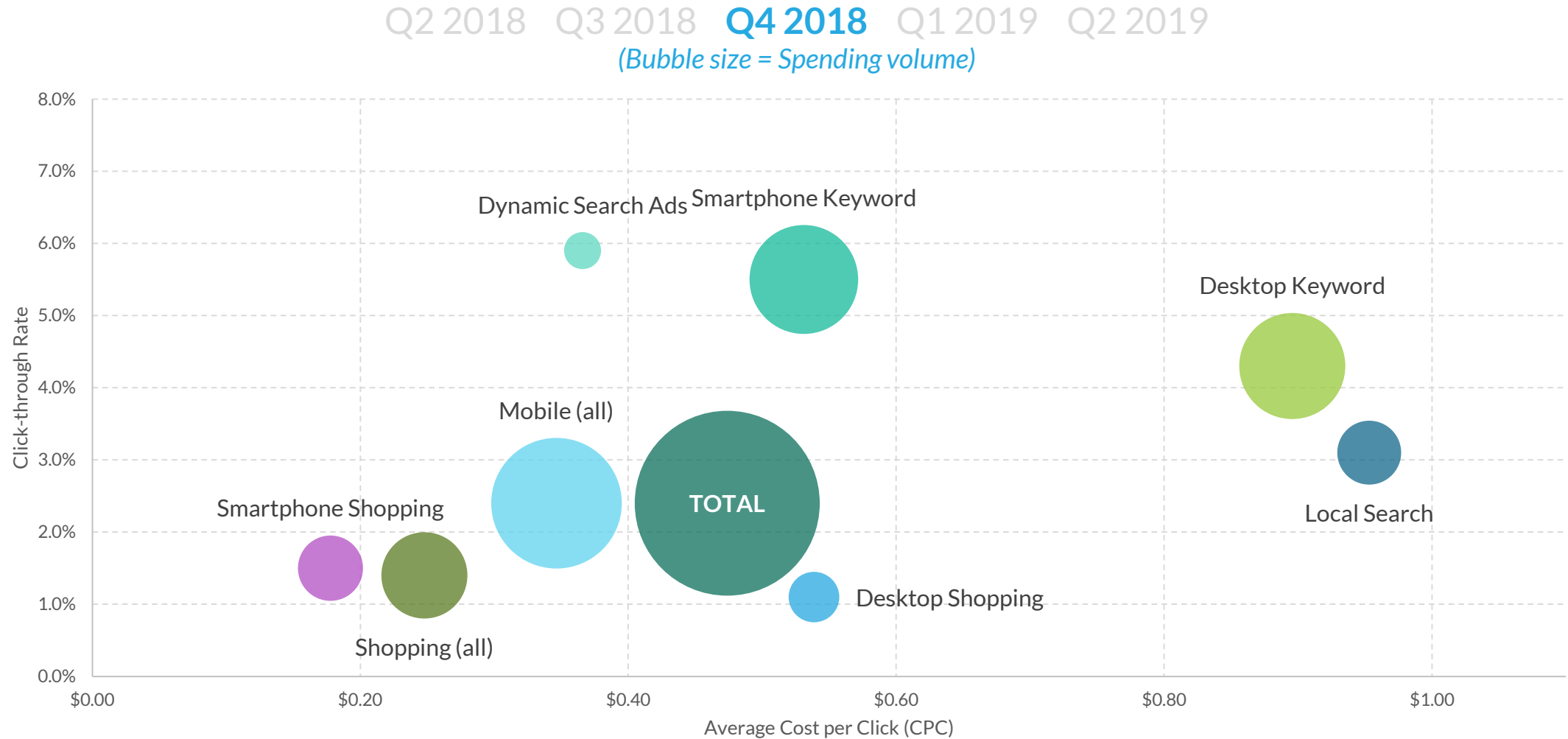
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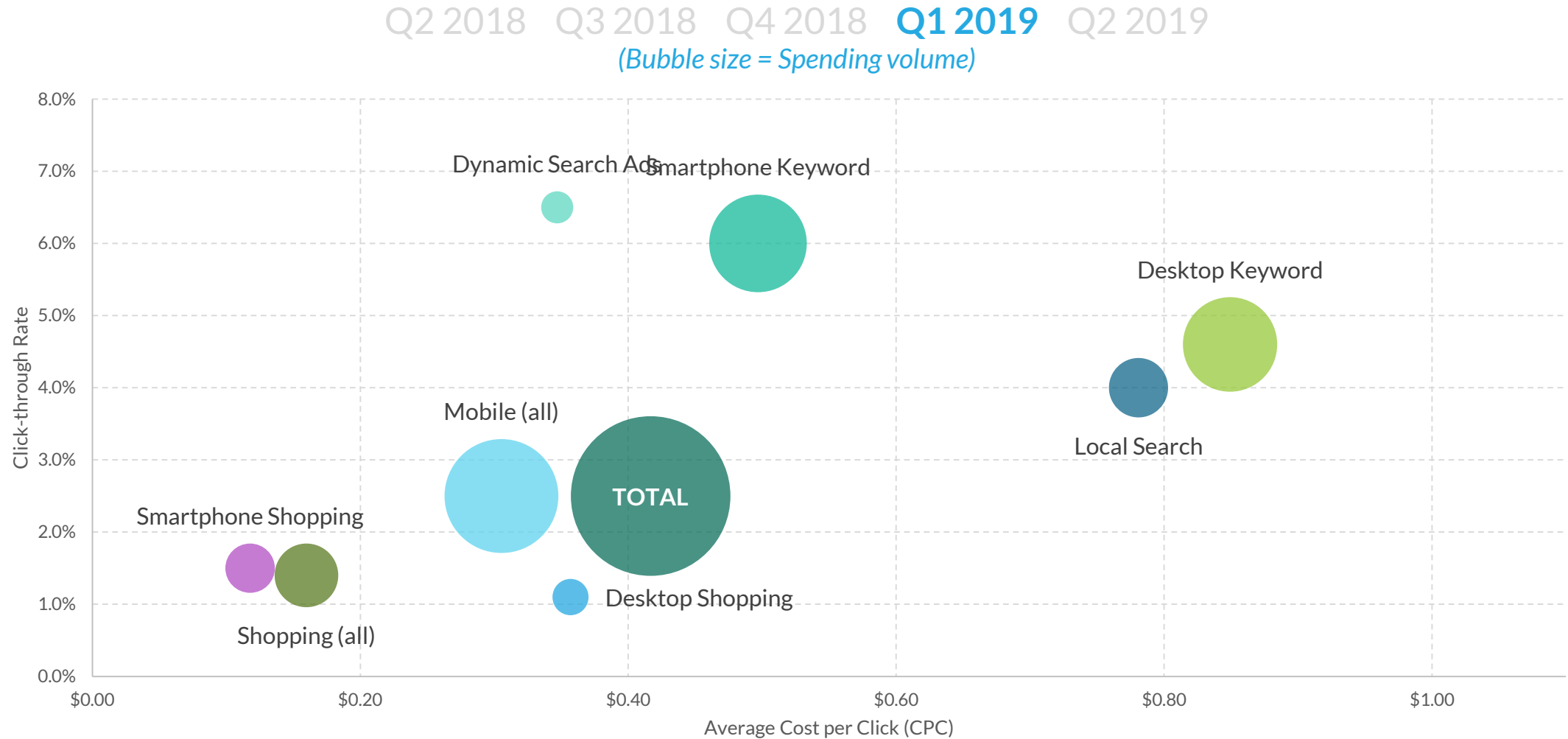
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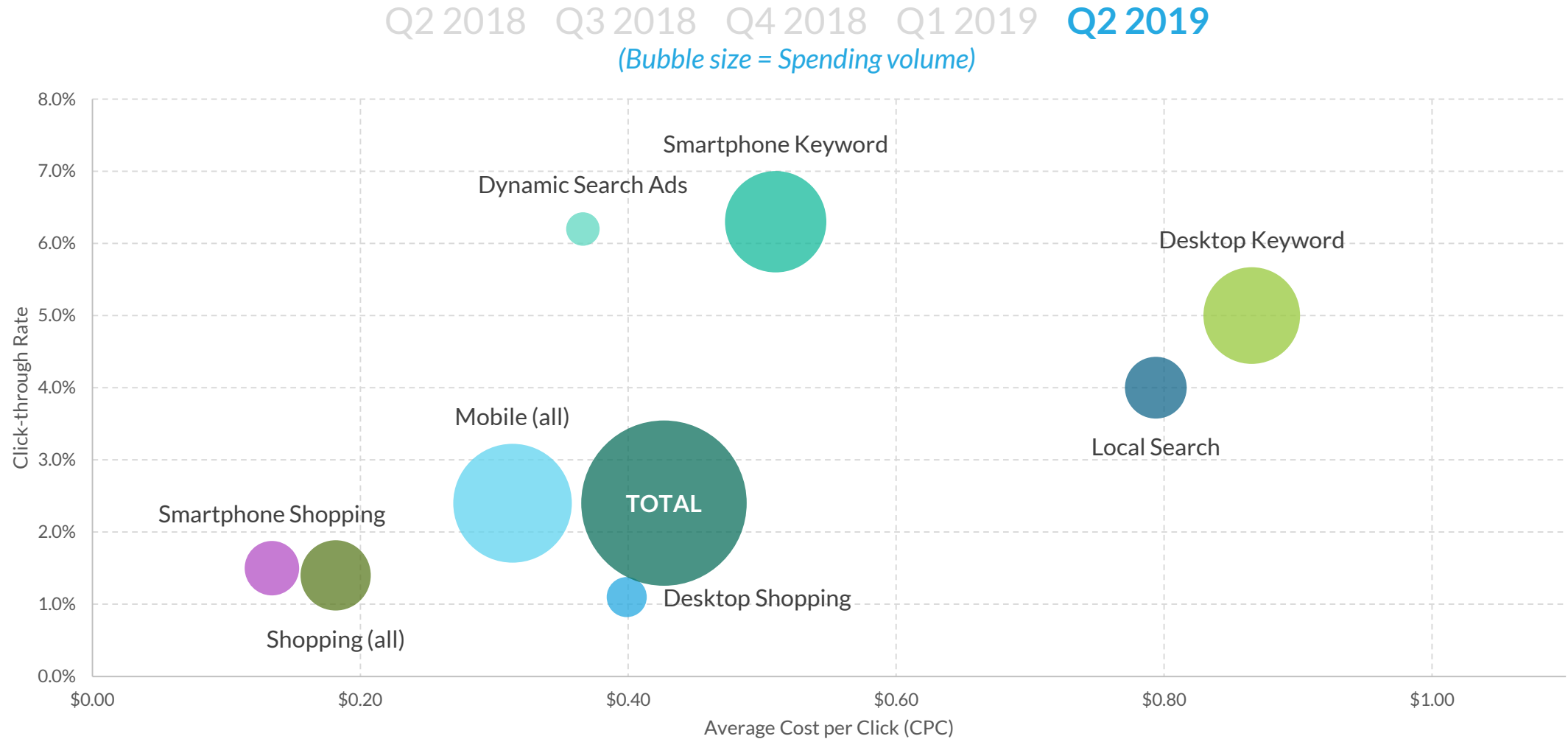
# Key Search Segments by Quarter



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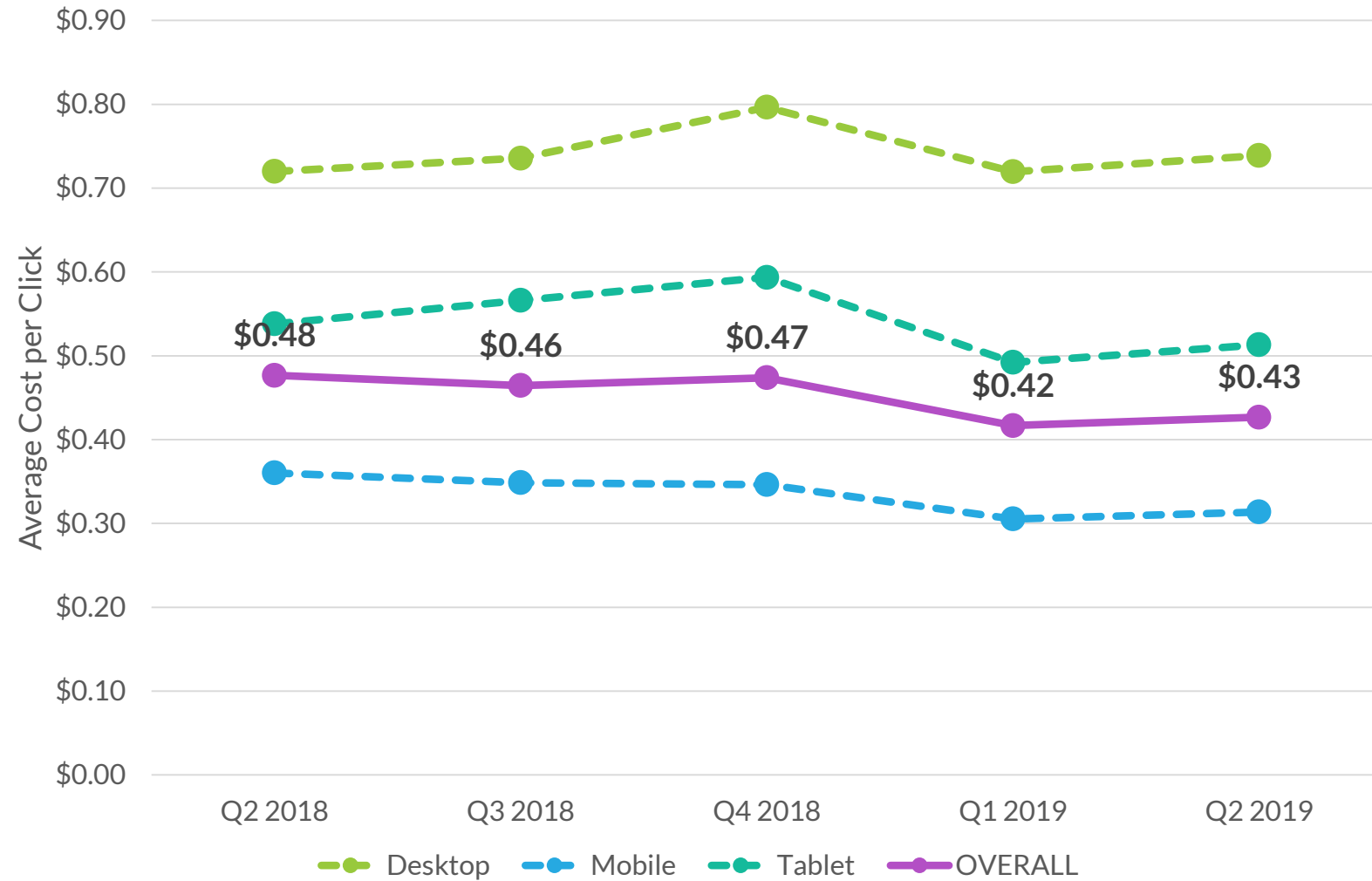
# Key Search Segments by Quarter



# CPC by Device

Stable QoQ cost-per-click was consistent across all devices

Desktop is the only device where CPC increased compared to last year



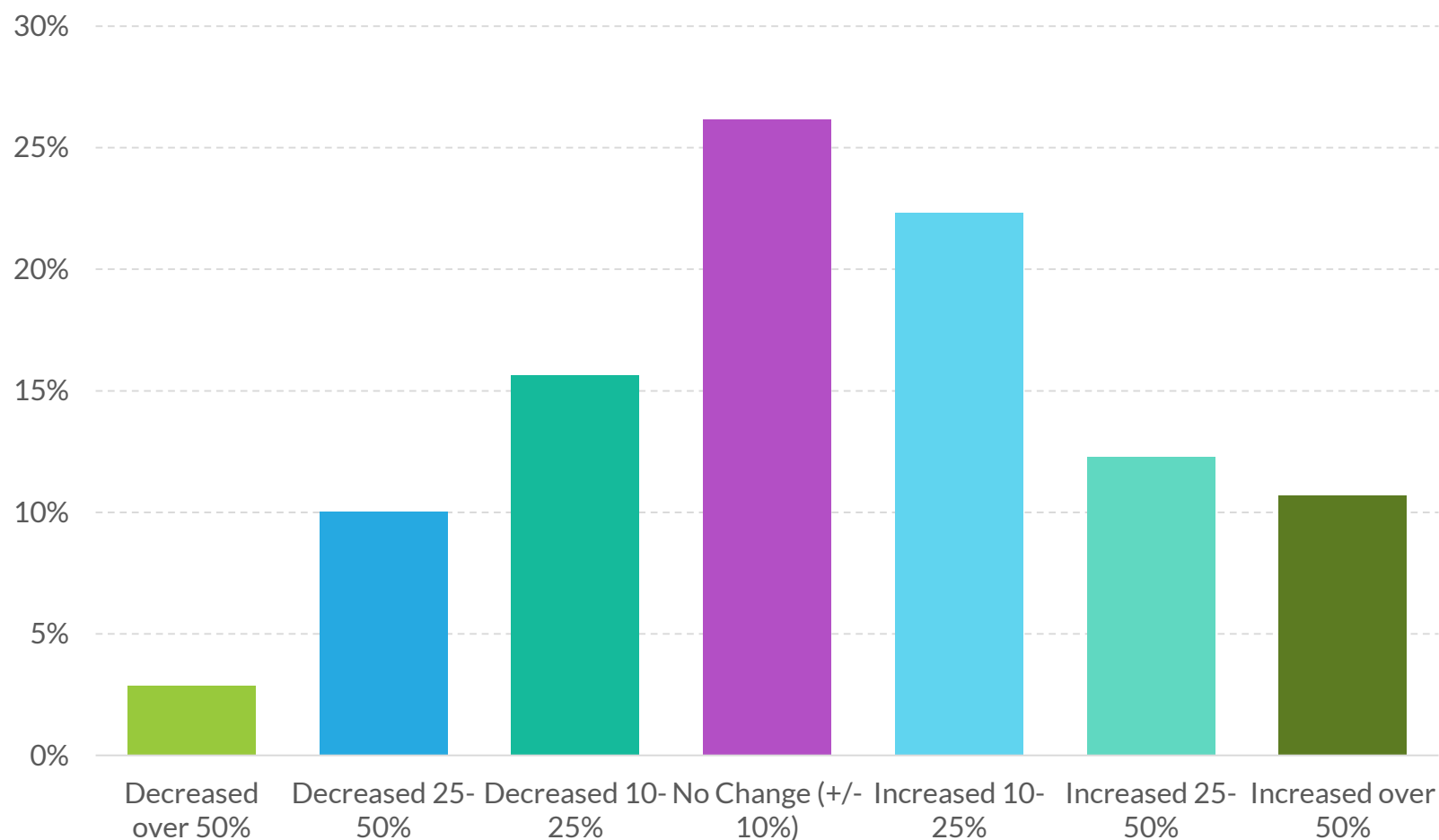
# Focus on: CPC changes by account

While overall search CPC is down, 45% of Kenshoo search accounts did see year-over-year increases in CPC of over 10%

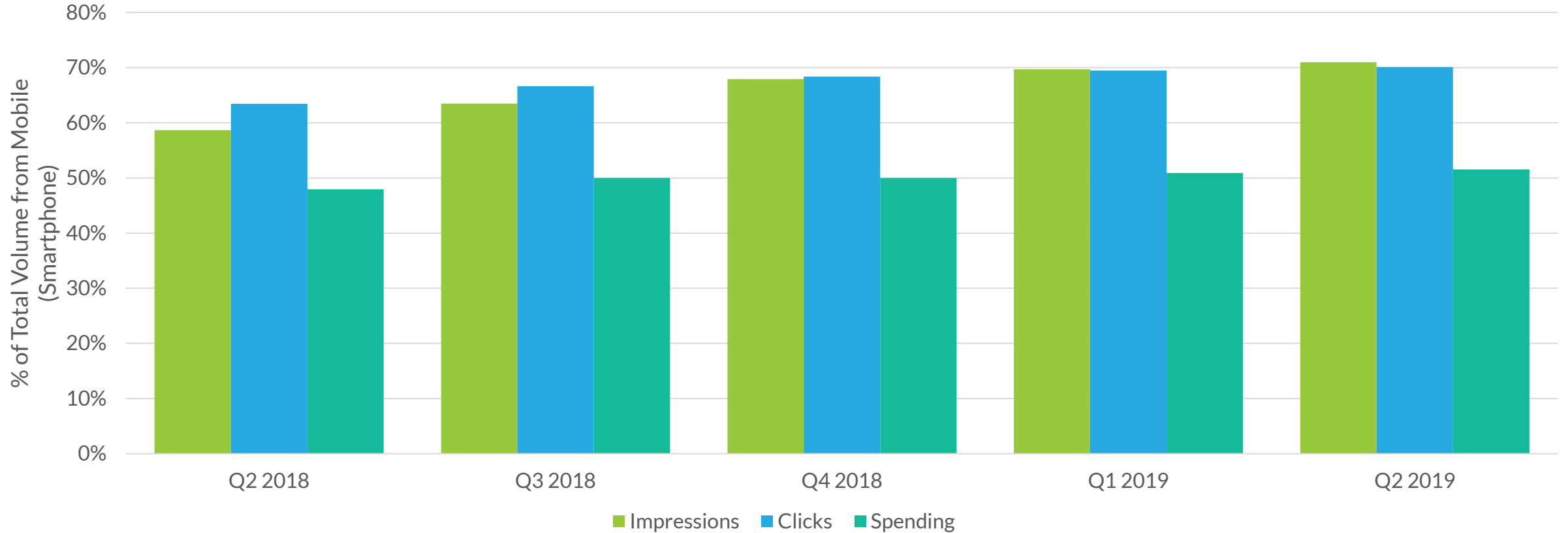
These two things can happen simultaneously if, for example, very large advertisers increase while still being below average

The median CPC change across all accounts in the sample was +2%

Year-over-year change in search CPC by Kenshoo account



# Focus On: Mobile Search

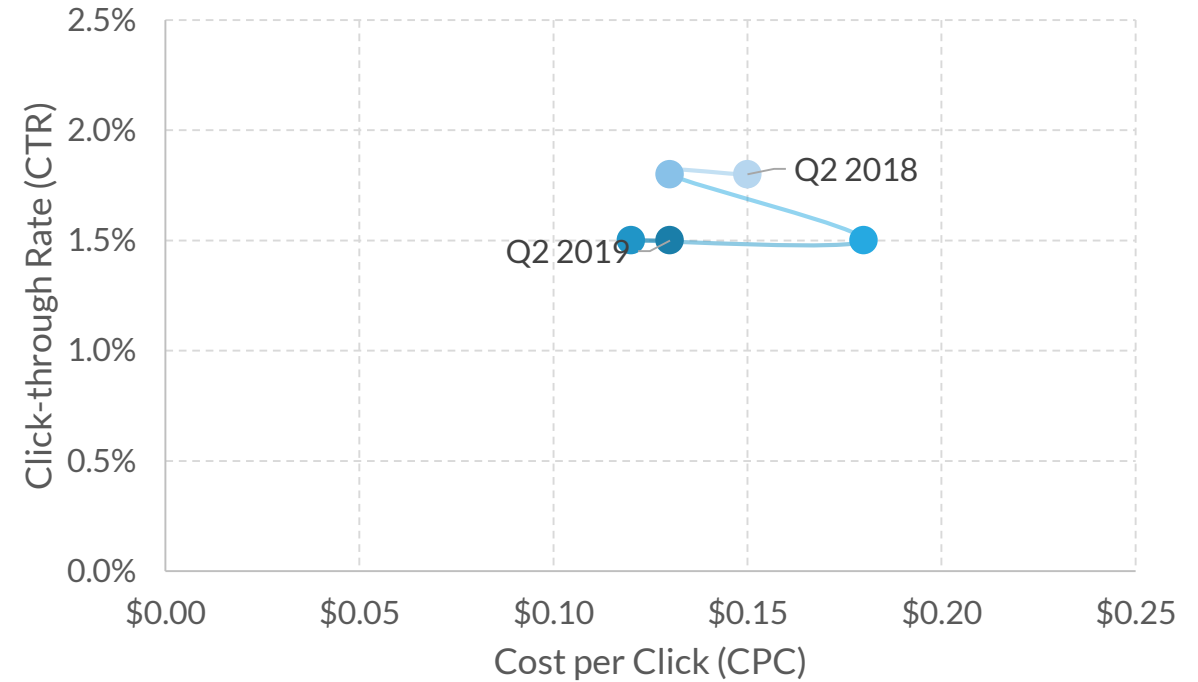
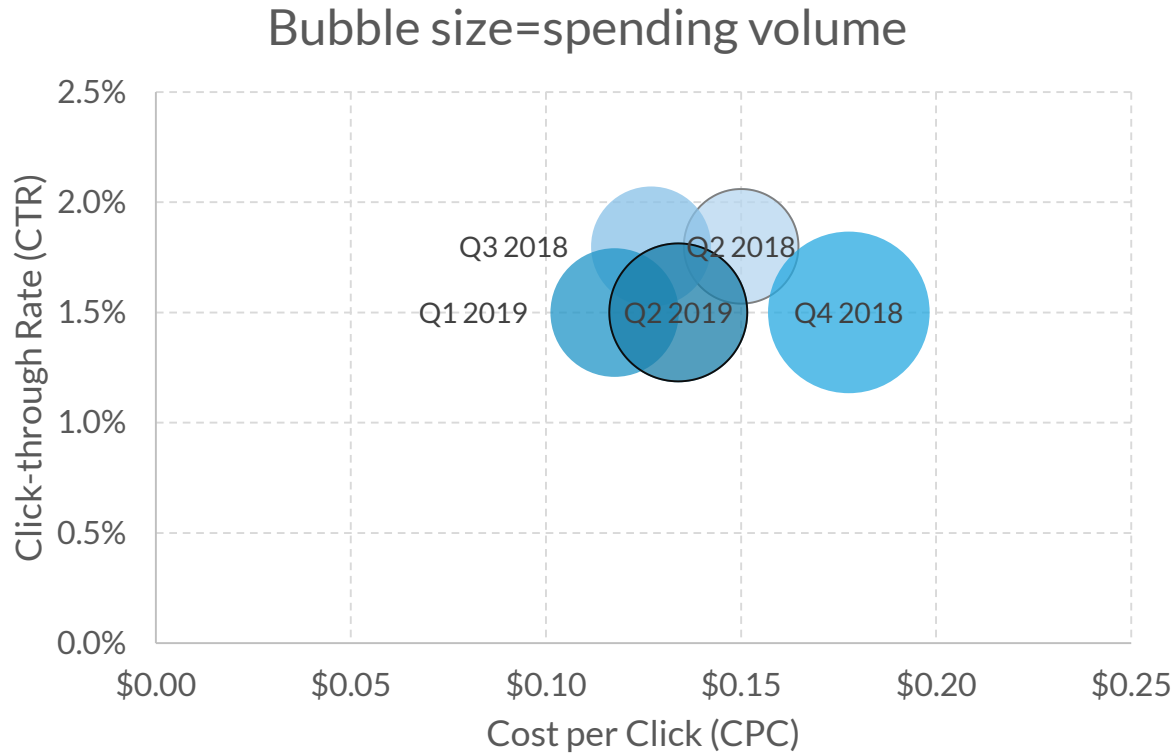


Mobile share has been consistently ~70% of impressions and clicks, and ~50% of spending, for several quarters.





# Focus On: Mobile Shopping

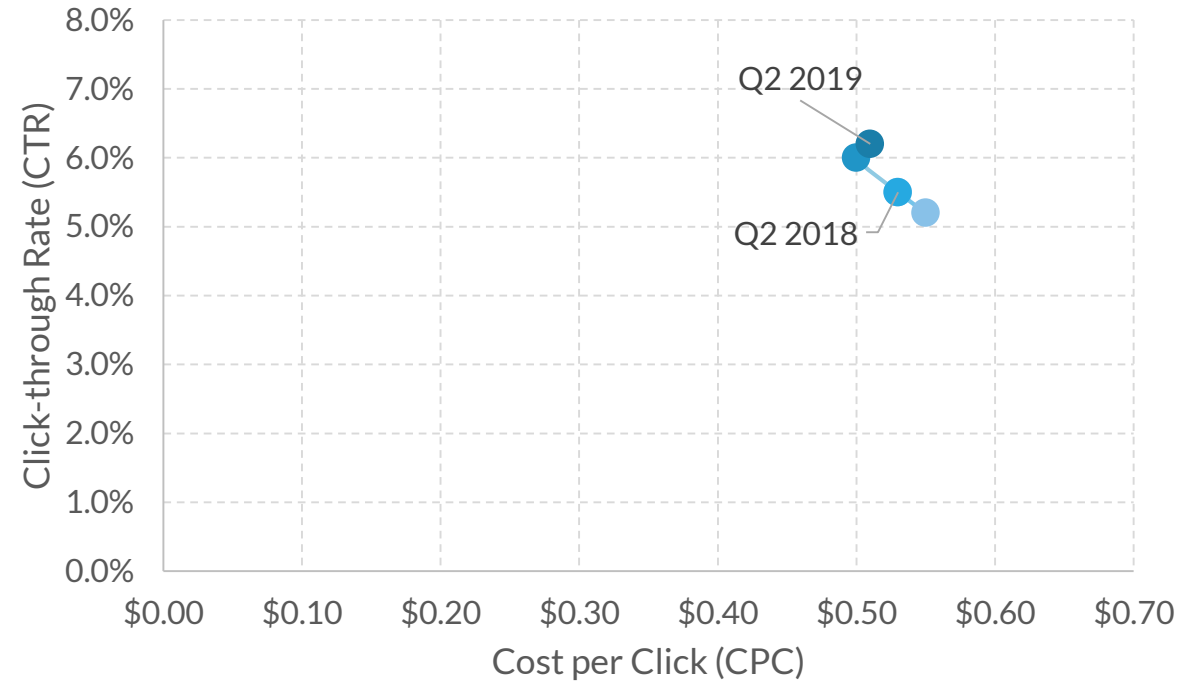
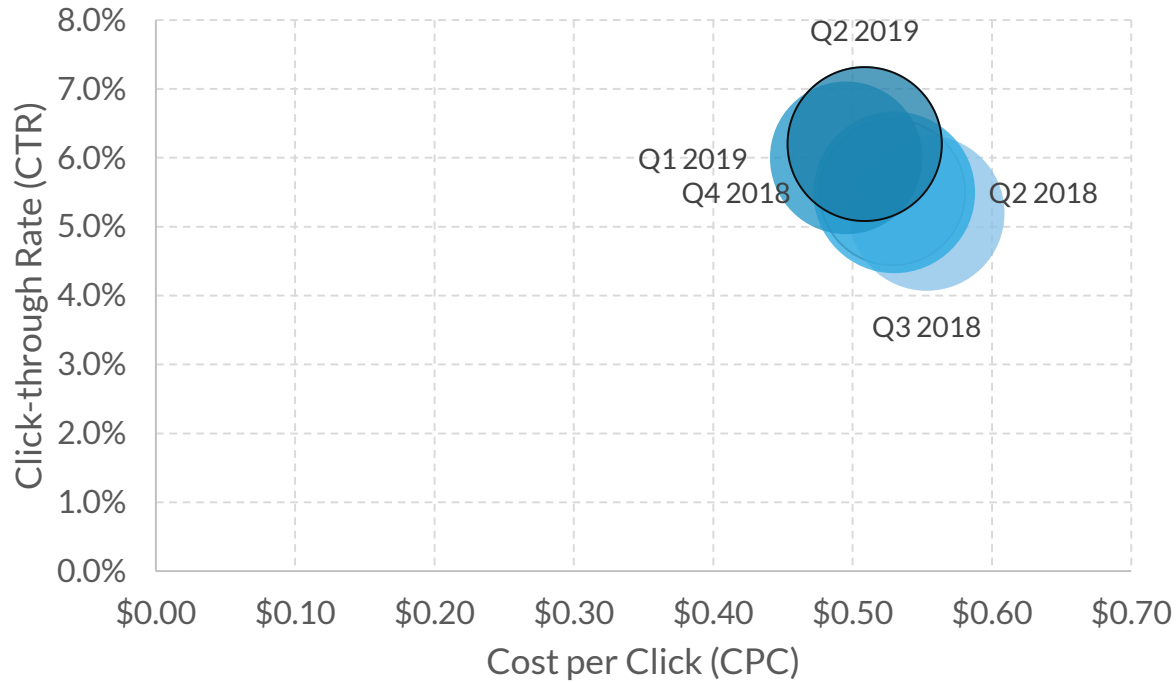


Spending on mobile shopping ads grew 45% year-over-year as large search advertisers expanded down the long tail of product listings, driving CPC down in the process



# Focus On: Mobile Keywords

Bubble size=spending volume



Mobile Keywords grew slightly faster than total search at +12% YoY. High click-through rates for these ads highlight their relevance.

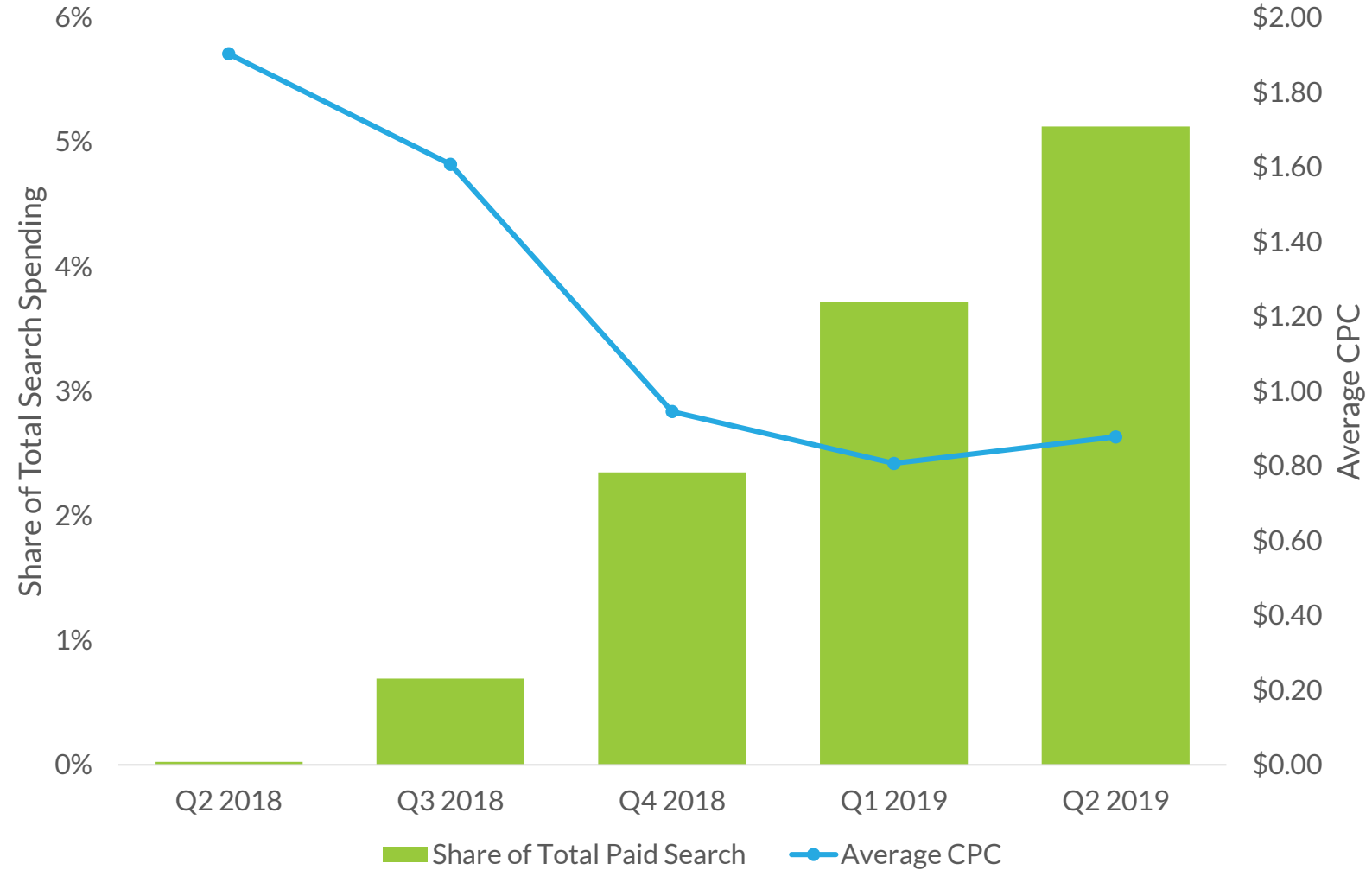


# Focus on: Responsive Search Ads

Responsive Search Ads (RSA) accounted for \$1 out of every \$20 spent on search in Q2 2019

As more advertisers have adopted these ads, overall CPC has largely “found its level”

One of several efforts across channels where the publisher is looking for ownership of decisioning elements



# New research from Kenshoo + Digiday

## The State of Paid Search: How marketers are managing their programs

- Survey research of search marketers across Digiday's subscriber base
- Investigates what factors and features are more important to marketers in a search management platform, and their influence on overall program performance
- Looks at differences by size, advertiser type and platform user type
- Go to <https://kenshoo.com/insights/> to download the report



# Things to Remember: Search

Search continues to grow consistently, with YoY growth ranging between 10-12% in non-holiday quarters going back to at least 2017

Changes in CPC and CTR across all of search have been driven primarily by the relative prominence of mobile shopping ads

There have been some new ad types in the ecosystem, and recent announcements point to more to come

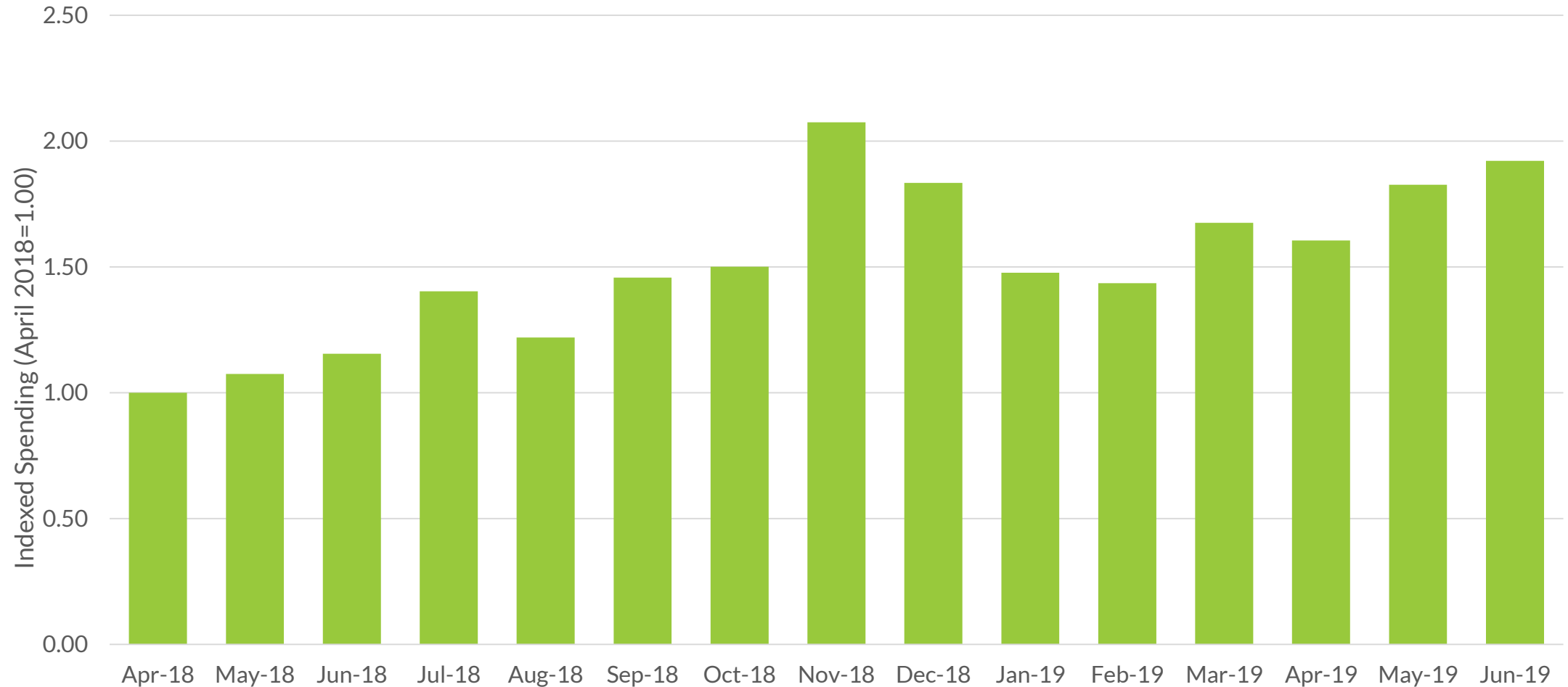




# Emerging Channels

Q2 2019

# Ecommerce Channel Ad Spending by Month

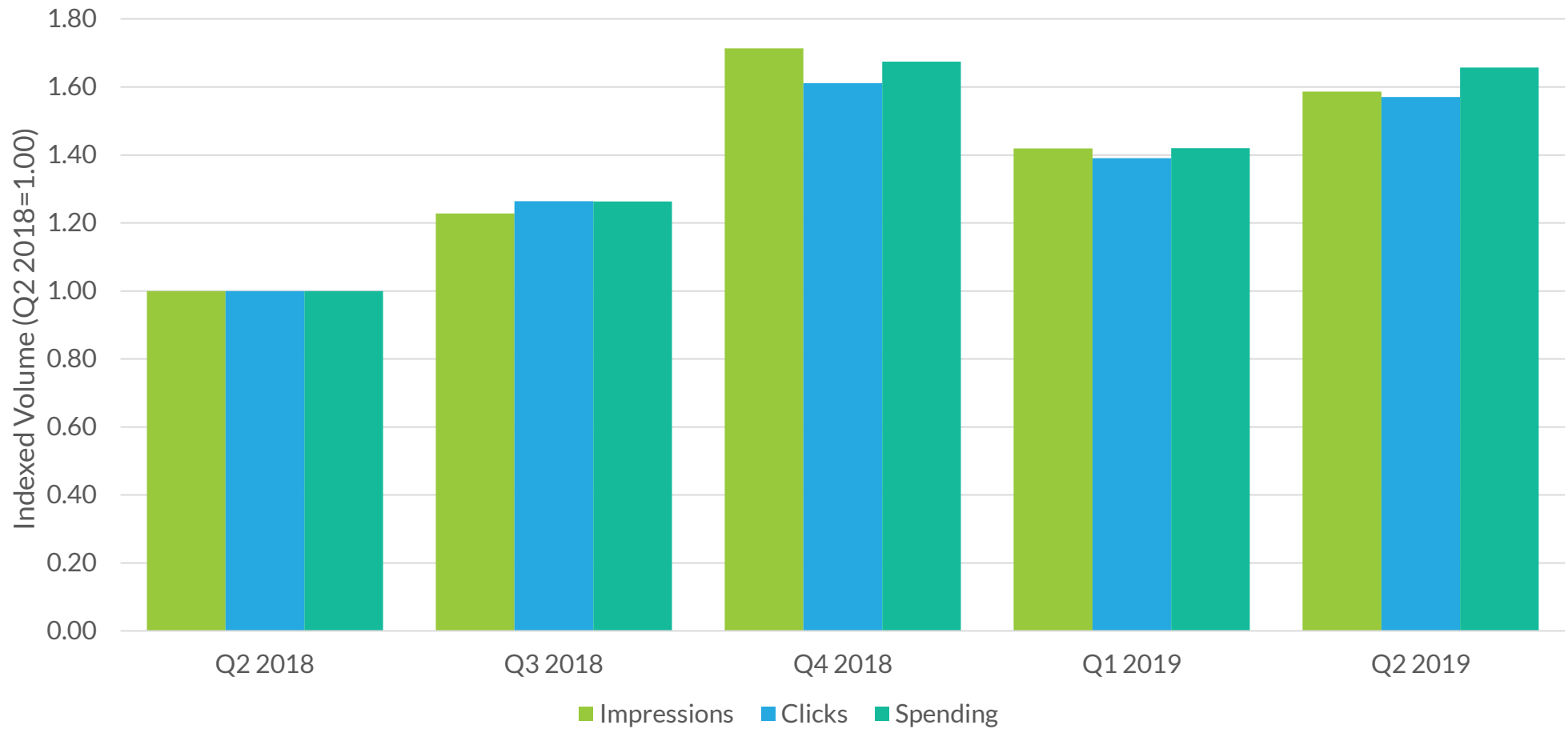


On a same-advertiser basis, total monthly spending on Ecommerce Channel Ads (ECA) in June was exceeded only by the holiday-driven spike in November.



# Ecommerce Channel Advertising Trends

ECA Volume Growth



QoQ	YoY
Impressions	
+12%	+59%
Clicks	
+13%	+57%
Spending	
+17%	+66%

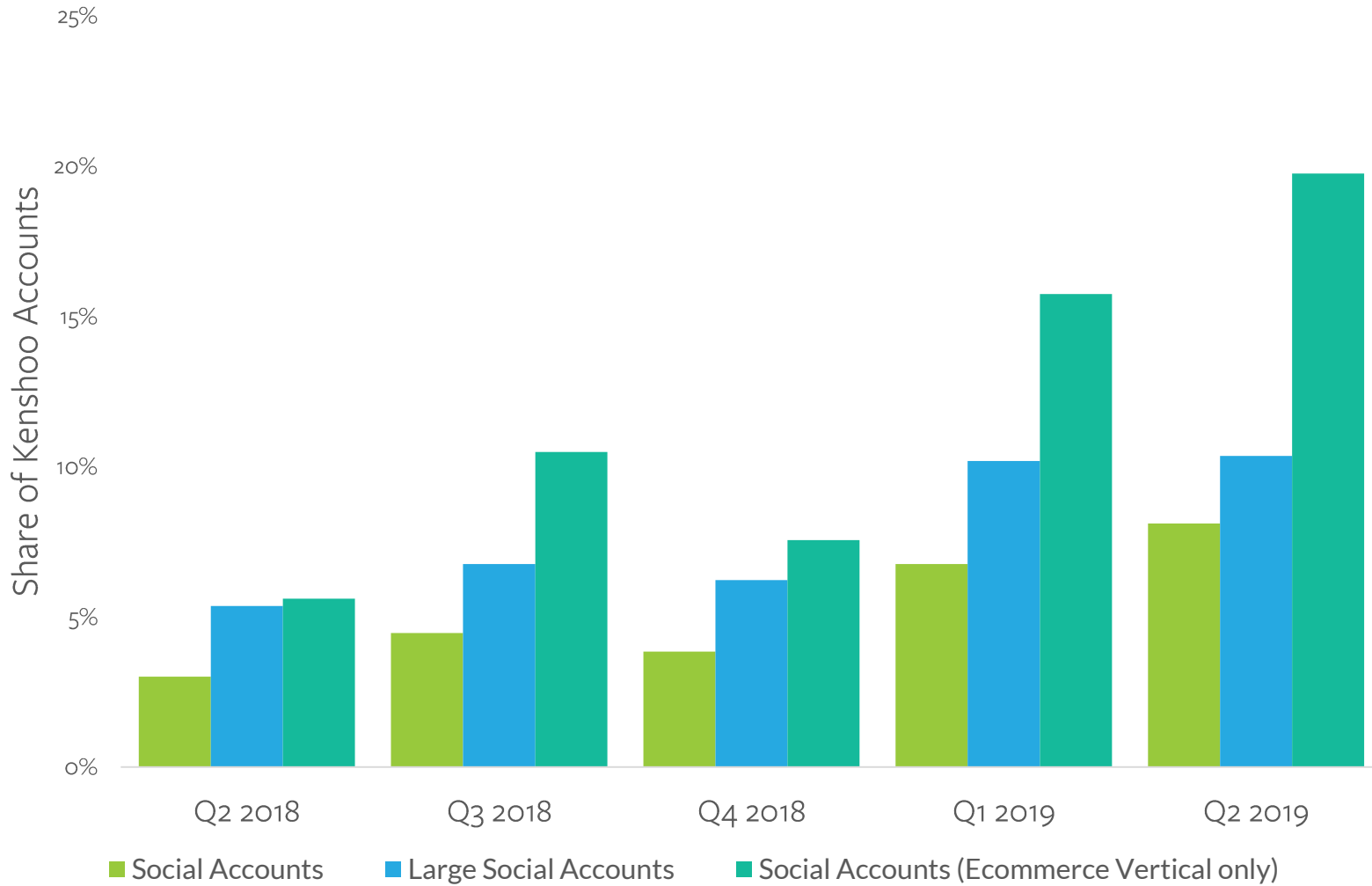


# Pinterest adoption for social accounts

Across all countries where Pinterest is available through Kenshoo, the share of all Social accounts running Pinterest programs has more than doubled in the last year

The share of Pinterest adoption is higher for Social accounts spending ~\$30K per month on Facebook

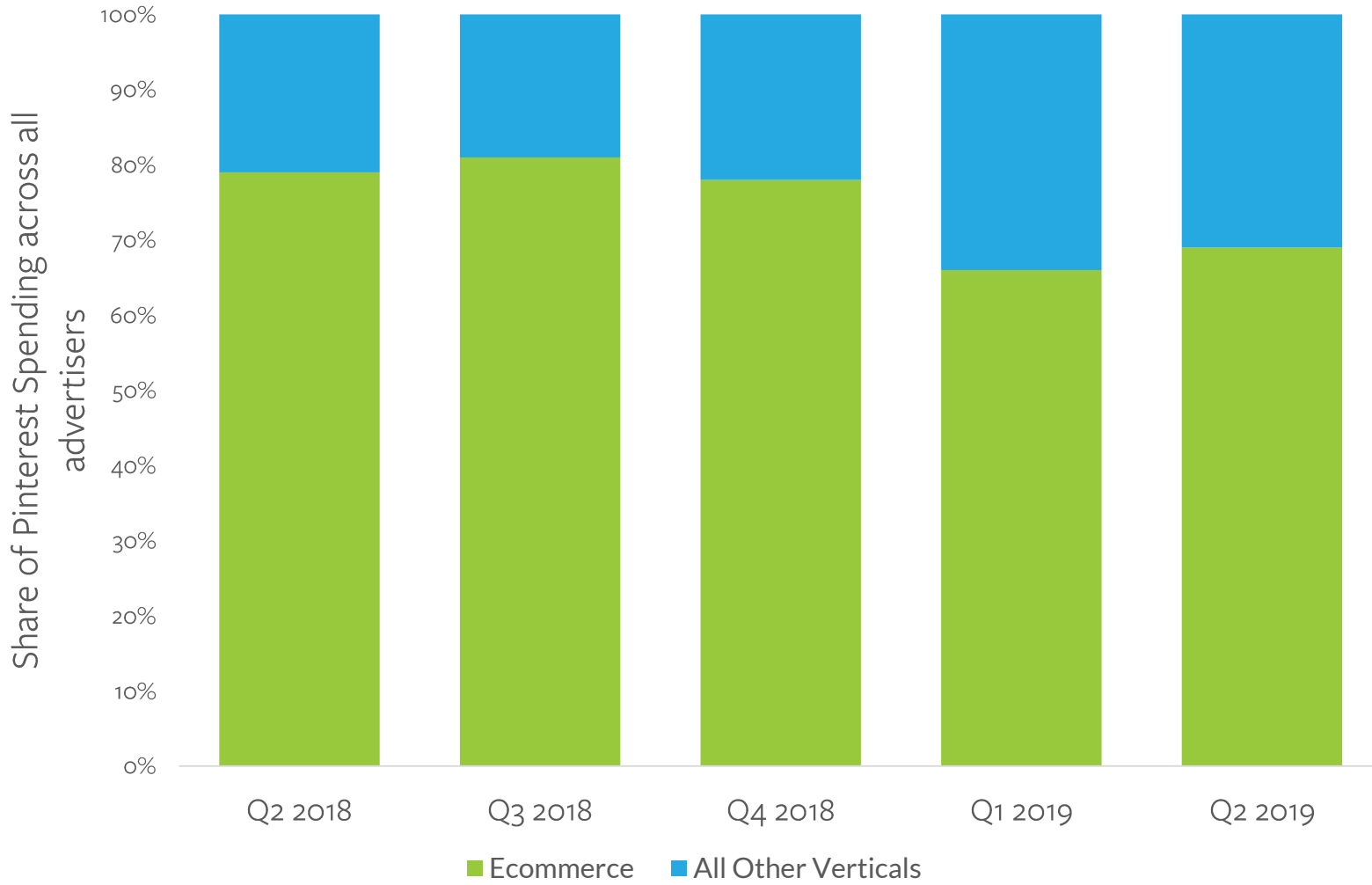
The highest market penetration is among Ecommerce advertisers on Facebook, where 1 in 5 is also spending on Pinterest



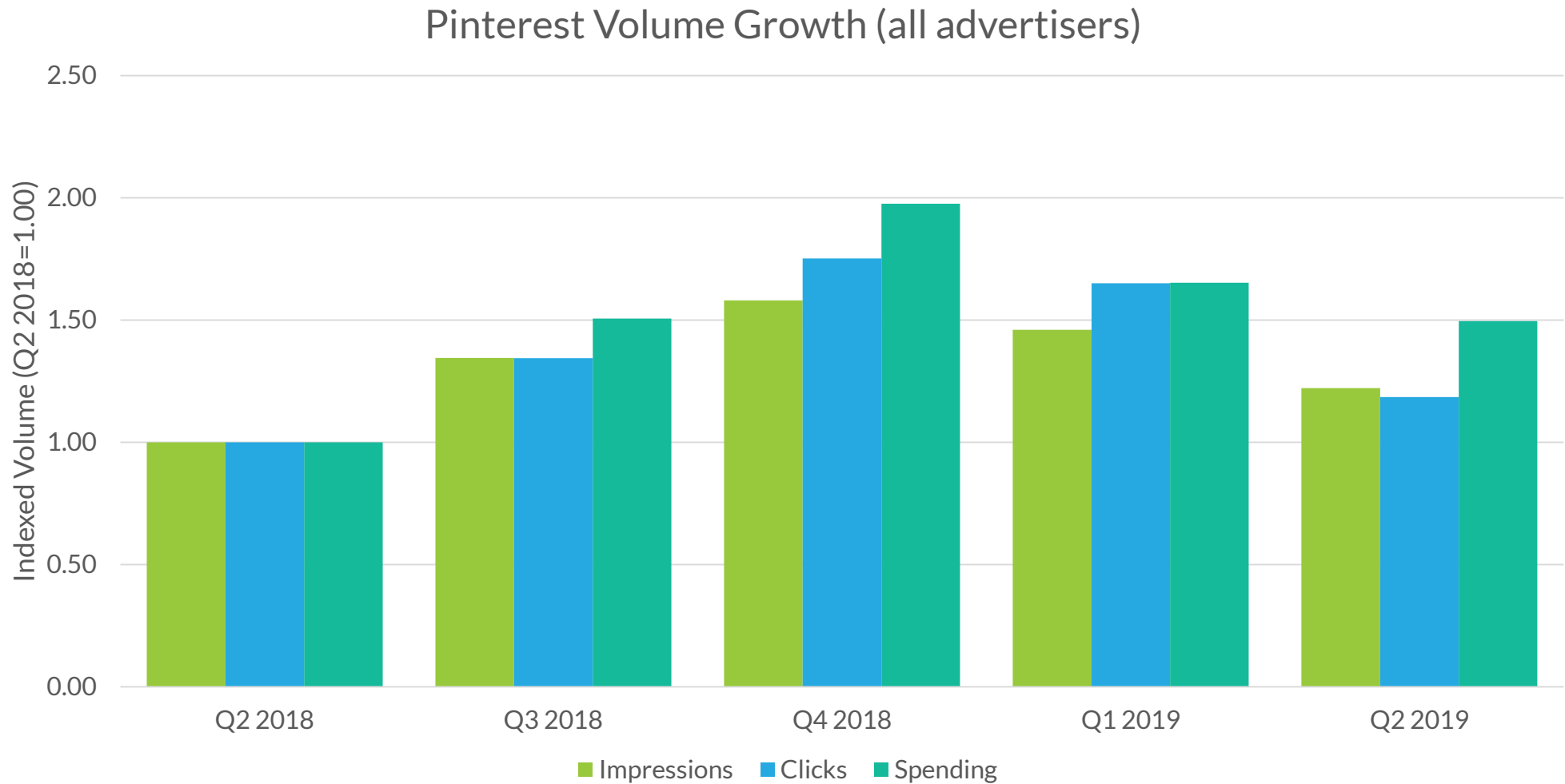
# Pinterest expanding beyond ecommerce advertisers

Nearly 4 out of 5 Pinterest ad dollars in 2018 was from Ecommerce direct advertisers

As both agencies and other industry verticals start to engage more with Pinterest ads, that share has dropped in 2019



# Pinterest Growth (unfiltered)

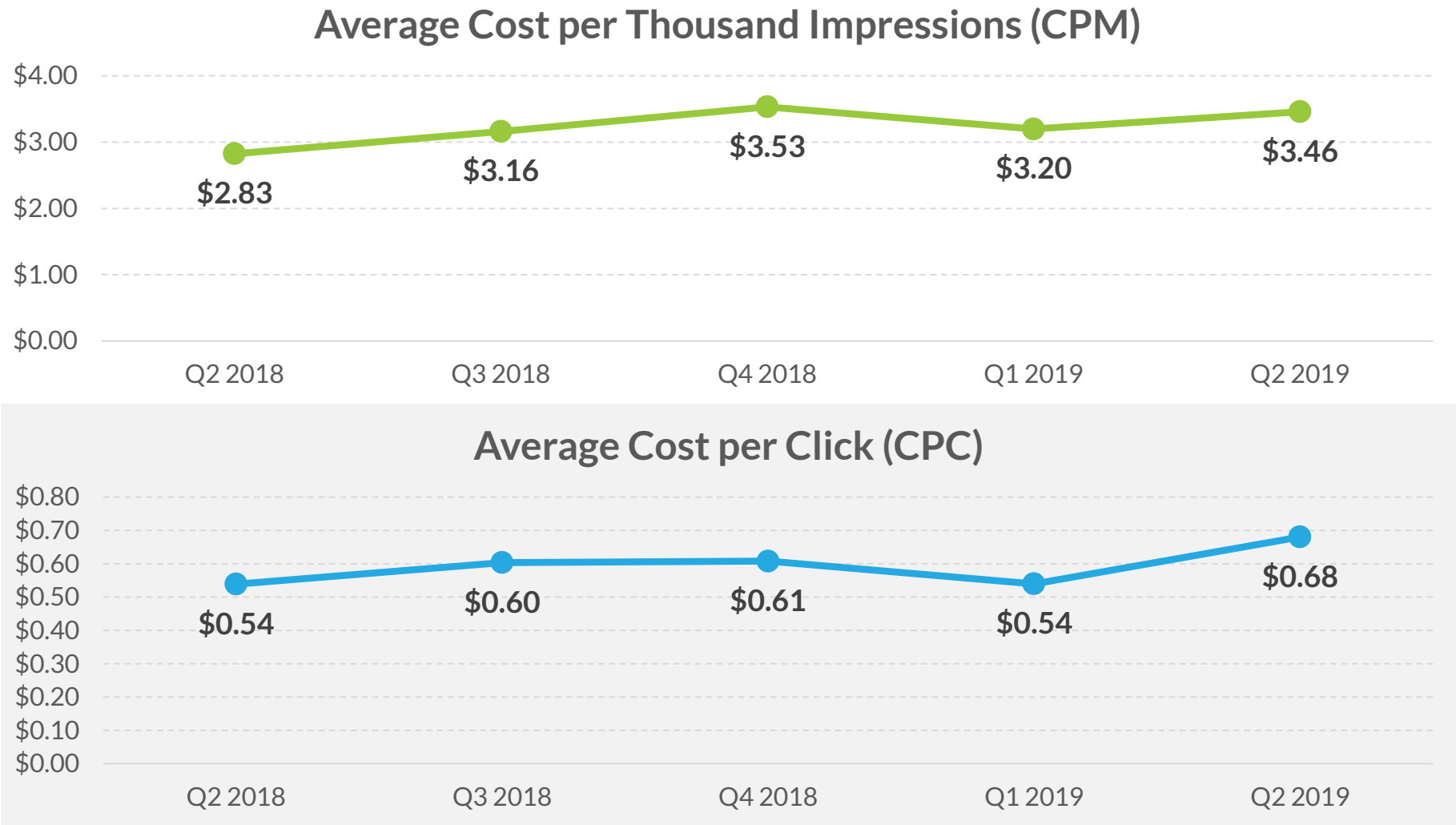


QoQ	YoY
Impressions	
-16%	+22%
Clicks	
-28%	+19%
Spending	
-10%	+50%

“All in” spending growth can be volatile, and can reflect periods where adoption gets pushed hard for certain channels or publishers, which happened with Pinterest in Q2 2018.

# Pinterest Trends (unfiltered)

QoQ	YoY
CPM	
+8%	+22%
CPC	
+26%	+26%



# Things to Remember: Emerging Channels

The growth of Ecommerce Channel Ads is not limited to traditional high-demand time periods, as evidenced by ad spending on par with the holiday season

Pinterest is gaining traction among advertisers with larger social budgets, and where large advertisers go, smaller advertisers will eventually follow





# In The News



# Instagram Explore Ads

Marketing Land SECTIONS

## Instagram to start showing ads in Explore tab

The company said it will be introducing ads in Explore "slowly and thoughtfully" in the coming months.

Amy Gesenhues on June 26, 2019 at 2:41 pm



Instagram announced Wednesday that it is introducing [ads in its Explore tab](#), the section where users can browse content and discover new accounts based on their interests.

The company said it will be rolling out the ads "slowly and thoughtfully" over the coming months. Instagram's Business Product Marketing Director Susan Bucker Rose told [TechCrunch](#) Instagram will first test the ads to promote IGTV (Instagram's long-form video platform) before offering the ad unit to a "handful of brands" over the upcoming weeks.

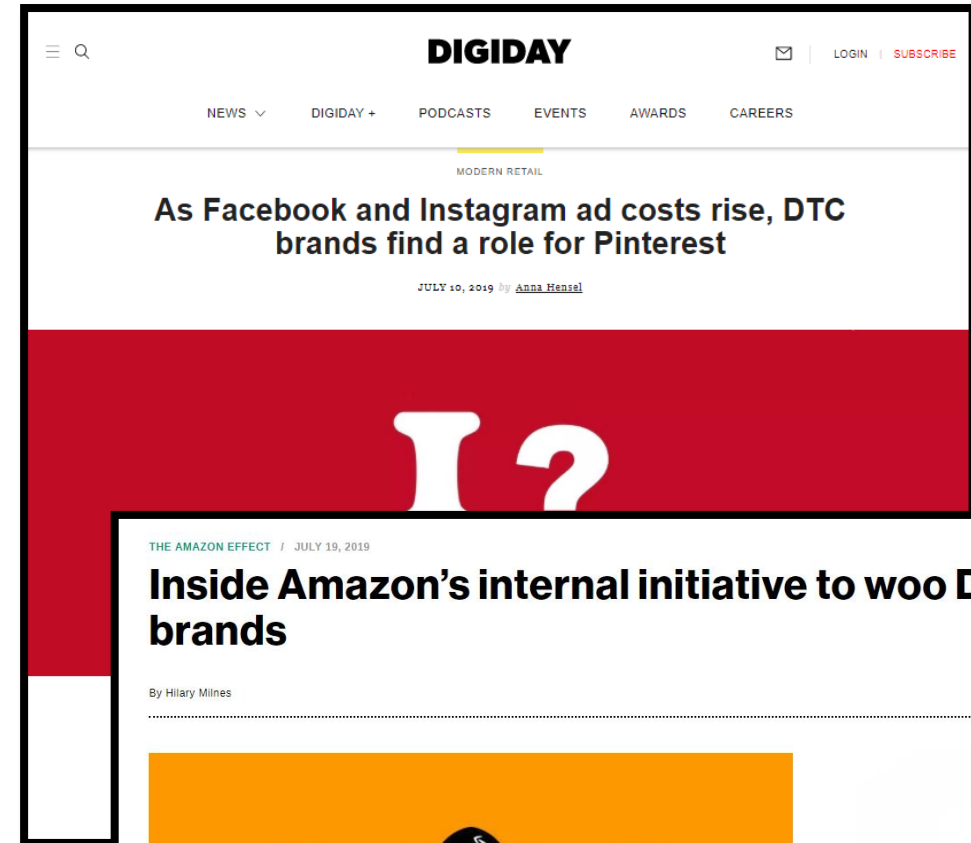
## What it Means and Why it Matters:

- Targets consumers during a different part of the Instagram experience
- The question is if the customer mindset on the Explore tab is looking for something specific, or mindlessly skimming for something to grab their attention
- Obviously, the latter case would be good for advertisers

# Pinterest as DTC Channel?

What it means and why it matters:

- DTC put a lot of eggs in the Facebook basket out of the gate
- Now starting to diversify
- Amazon is also courting these budgets





# Changes to Facebook News Feed ads

**DIGIDAY**



NEWS ▾

DIGIDAY +

PODCASTS

EVENTS

AWARDS

CAREERS

MARKETING ON FACEBOOK

## Facebook's News Feed ads are changing

JULY 19, 2019 by [Kerry Flynn](#)

Facebook will soon tweak the creative restrictions to ads in its mobile News Feed. The changes will shrink the amount of text and the image size, which marketers say should improve ad copy overall but would be burdensome.

Facebook ads placed in mobile will only show three lines of text, compared to the seven that could previously be viewed. Facebook users can click to show more. Photos and videos will have a 4:5 aspect ratio, at most, compared to the previous 2:3. These upcoming changes were first [revealed](#) by Susan Wenograd, vp of marketing strategy at agency Aimclear, and [confirmed](#) by digital marketer David Herrmann. The new restrictions will start to be applied Aug. 19, Wenograd said.

## What it Means and Why it Matters:

- Enforcing copy changes forces brands to revisit their messaging
- This results in fresher copy that can have a short-term benefit on metrics like click-through rate
- These effects were seen previously in paid search, with the introduction of Expanded Text Ads (ETA)
- Requiring changes in creative could also nudge advertisers towards Facebook content creation tools

# Encore: Google Adds Third-Party Sitelinks

## What it means and why it matters:

- Ability to drive traffic to their products on Amazon and Best Buy allows brands that don't sell direct to do more with paid search ads
- This could open the door to increased search spending from verticals like CPG that don't typically invest in paid search

### What's updates have Google Ads made to Third-Party Sitelink policy?

The Policy used to look like this:

- **Third-party links:** In limited circumstances, sitelinks may point to third-party sites such as your Google+ page, Facebook page, Twitter, YouTube, or LinkedIn. If doing so, the link text must be descriptive of what someone would find on that landing page. For example, "Watch our video on YouTube" should lead to your video on YouTube.

Now it looks like this:

**Note:** While links should normally point to the same domain as the ad URL, we do allow links to point to third-party sites, under limited circumstances. Some examples include links to **select online retailers**, a Facebook page, Twitter account, YouTube video, LinkedIn profile or Instagram account. In such cases, the link text must be descriptive of what someone would find at the link destination. For example, "Watch our YouTube video" should lead to your video on YouTube.

The new policy will allow you to point to selected online retailers and businesses. These are as follows:

- Amazon.com
- BestBuy.com

# About the Data

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

April 2018 through June 2019.

Sample contains over 500 billion impressions, 13 billion clicks and \$5.5 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 (Apple Search Ads, Pinterest) may be shown on an unfiltered basis to show dynamic of newer advertising platforms, and are labeled accordingly





**Q&A**



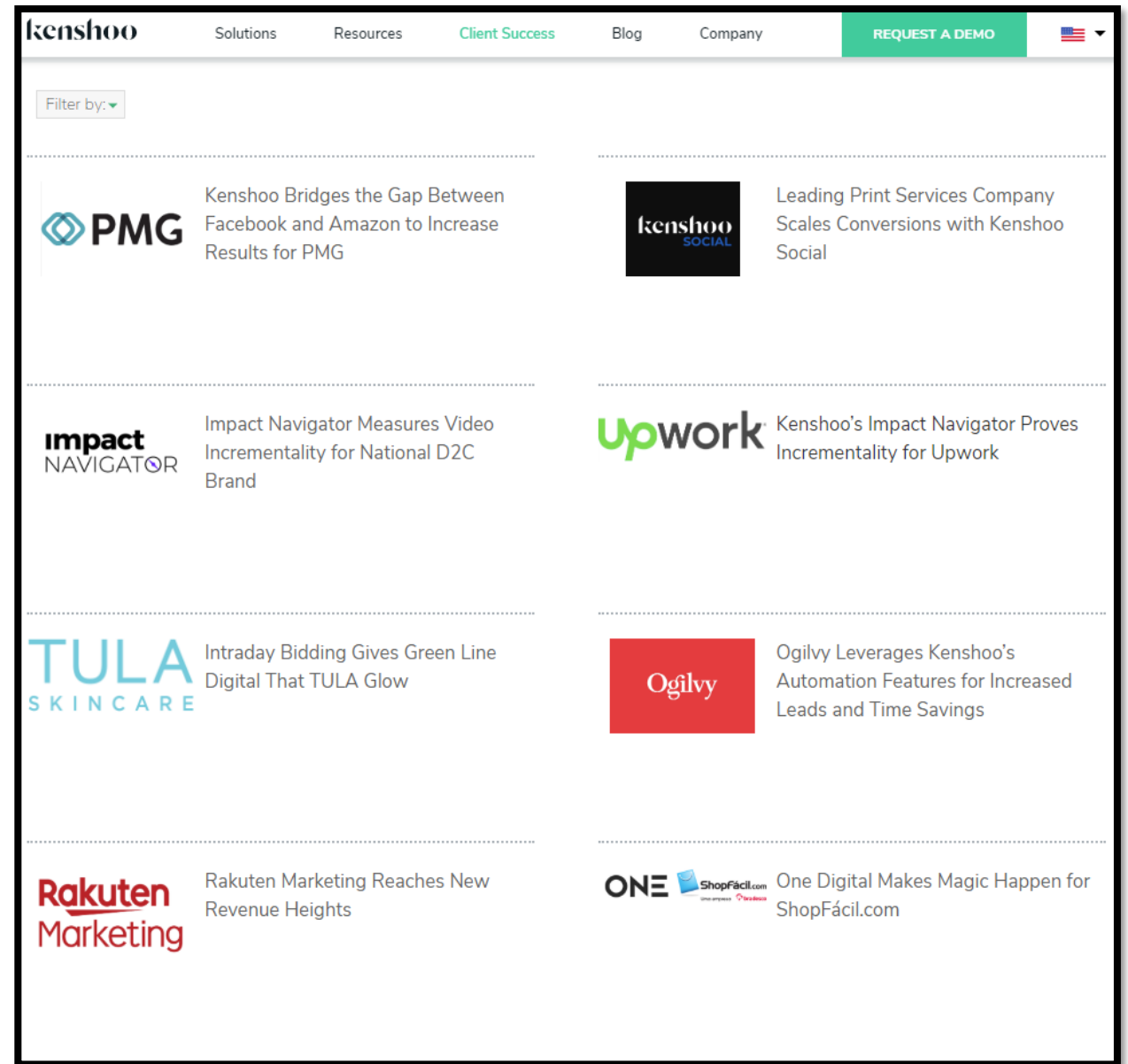




# Case Studies

For resources on how programs are finding success at an individual level, visit the Case Studies page

- New features may have individual impact before there is enough data to measure trends
- Read about the experiences of advertisers in specific industries across publishers and channels
- Visit <https://kenshoo.com/client-success/case-studies/> for details



# Marketing Research and Analysis @ Kenshoo

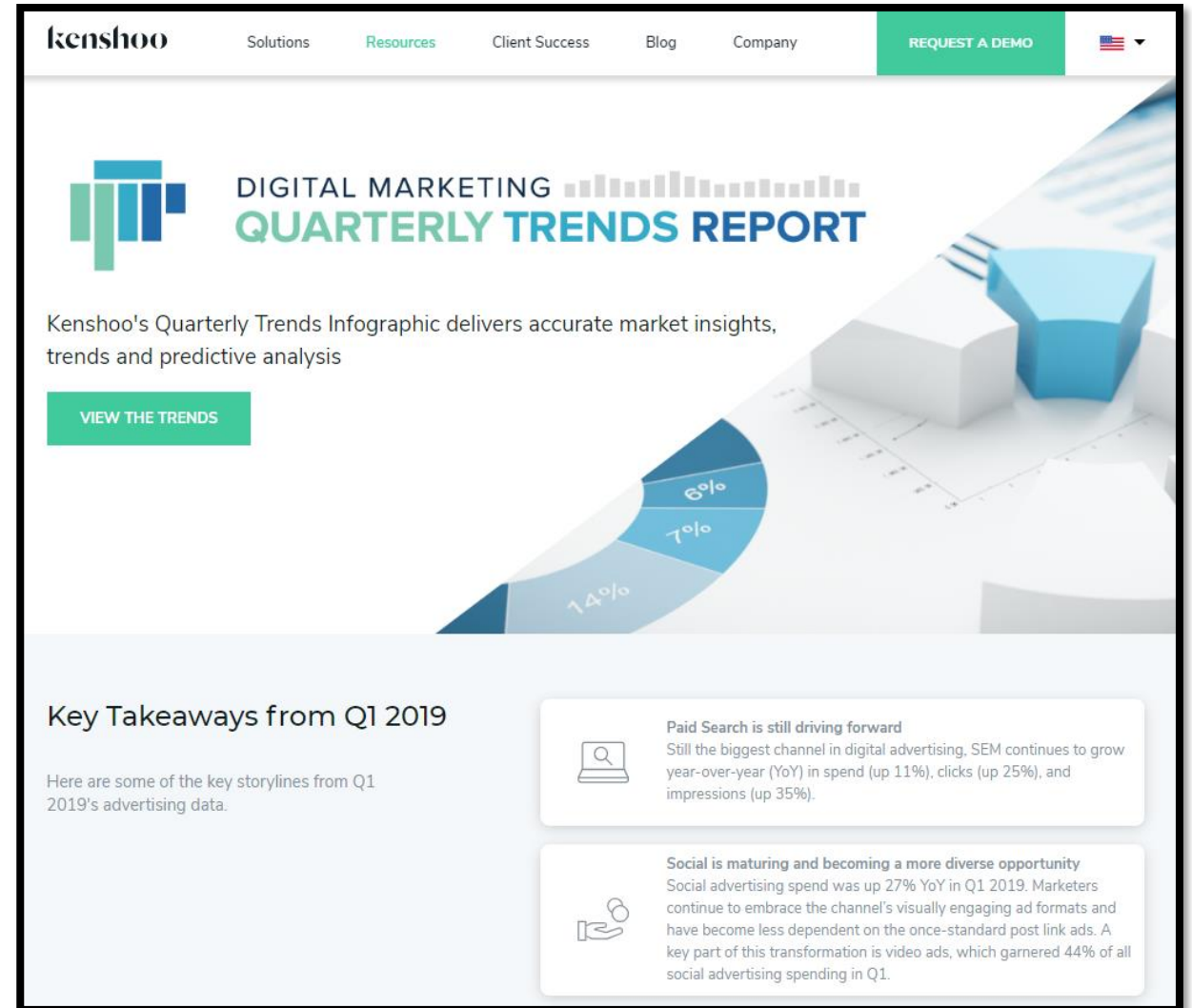
## Quarterly Trends Hub **NEW!**

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**THANK YOU!**