

DIGITAL MARKETING 
QUARTERLY TRENDS REPORT

Q3 2019

October 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 latrease.purnell@kenshoo.com if you are experiencing any issues



Agenda

- Industry Insights
- Market Trends
- Emerging Channels
- Holiday Preview
- 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

The third quarter lived up to its reputation as the “calm before the storm” of the holiday season

Ad spending was up in search, social and ecommerce channels, slightly less than last quarter in each as ad prices softened across the board

History suggests that shopping-specific ad types in search and social channels, as well as the entire ecommerce channel, will see strong growth in Q4 for the holiday season

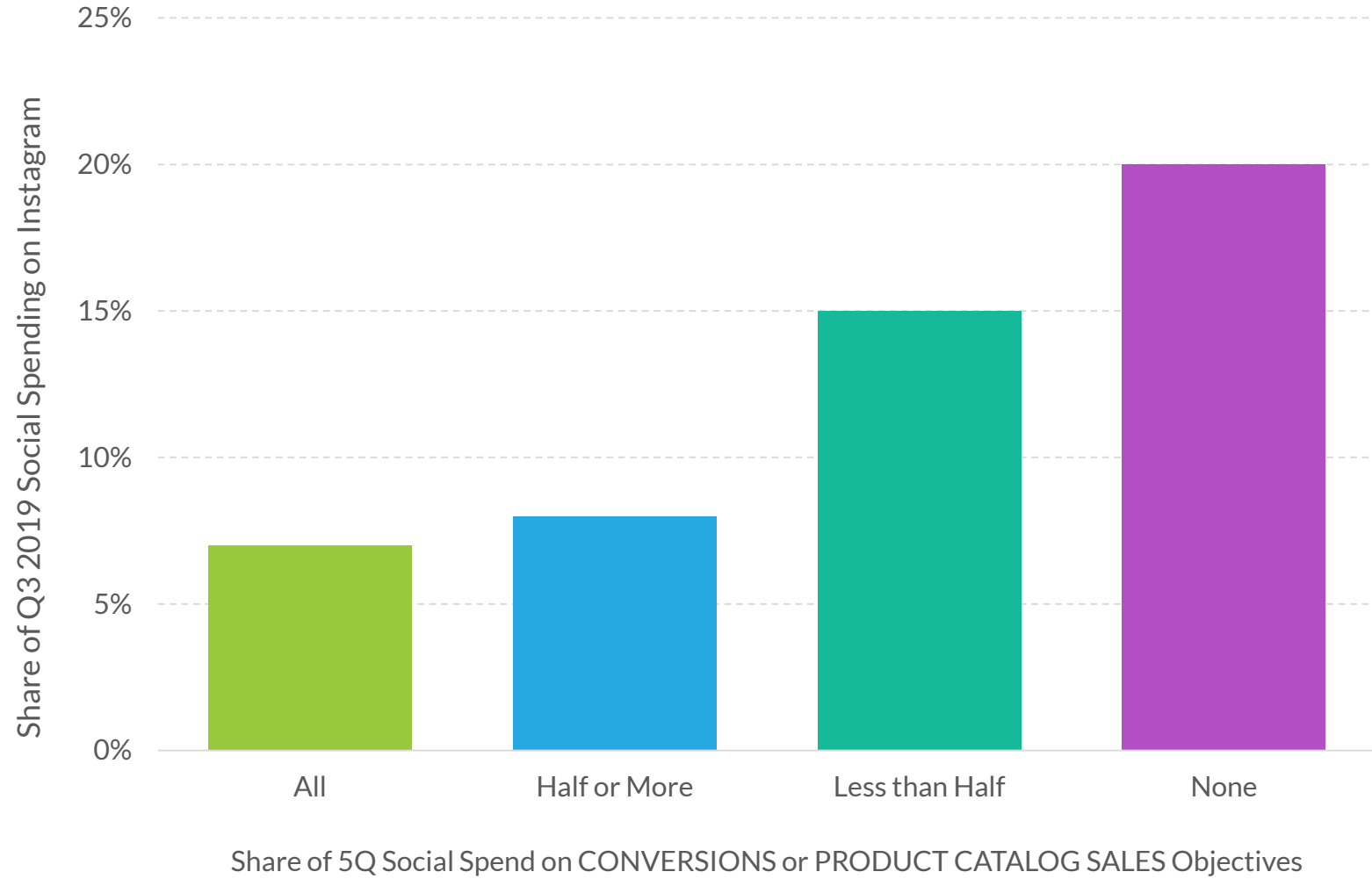


SOCIAL

Less Direct Response Means More Instagram

Categorizing paid social accounts by Objective reveals clear patterns in Instagram spending

Accounts that devoted less budget to direct response objectives spent more on Instagram

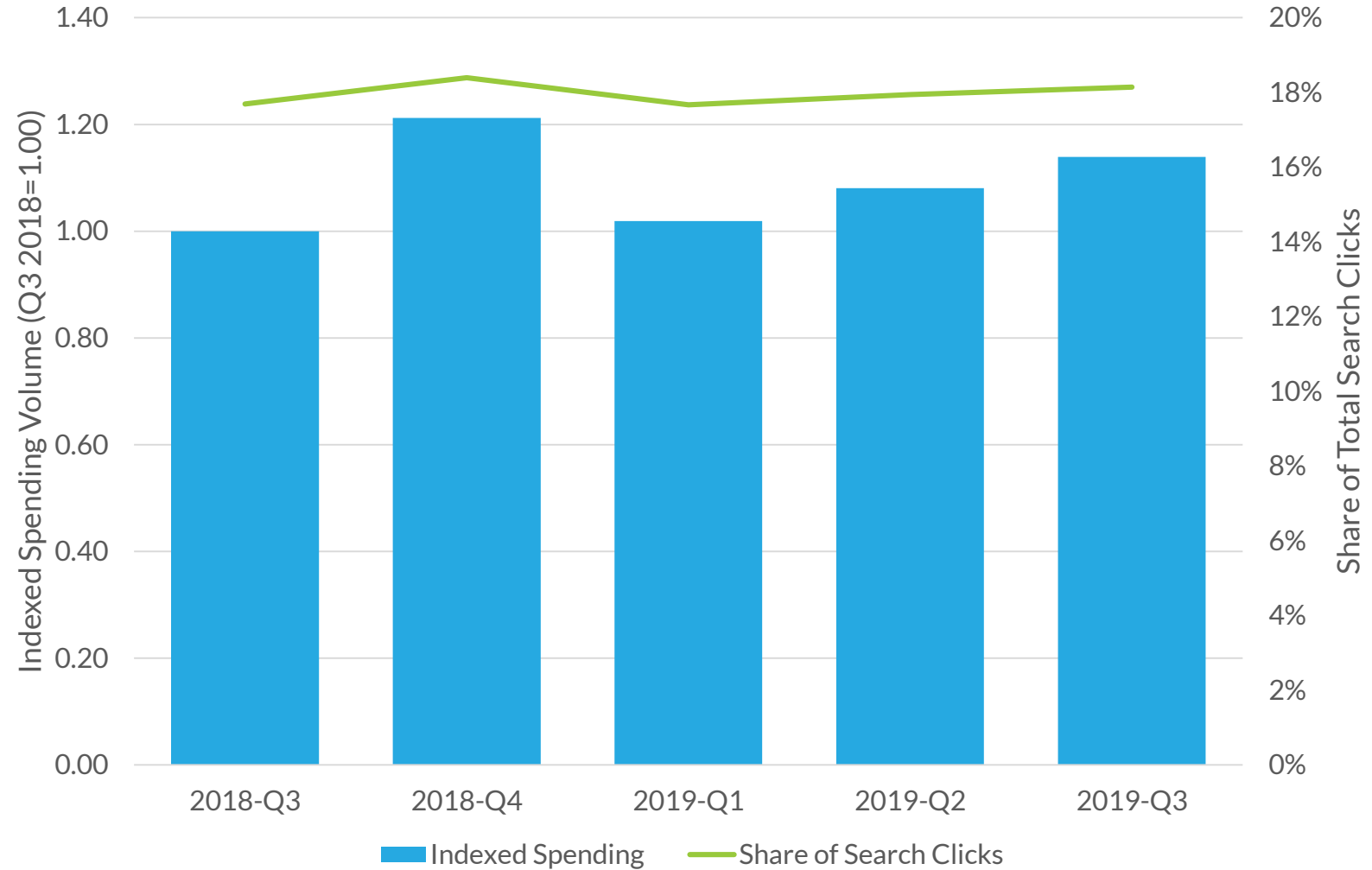


SEARCH

Branded Keywords Hold Their Position

Branded keywords consistently account for nearly 1 out of 5 search clicks, despite only being 2% of total impressions

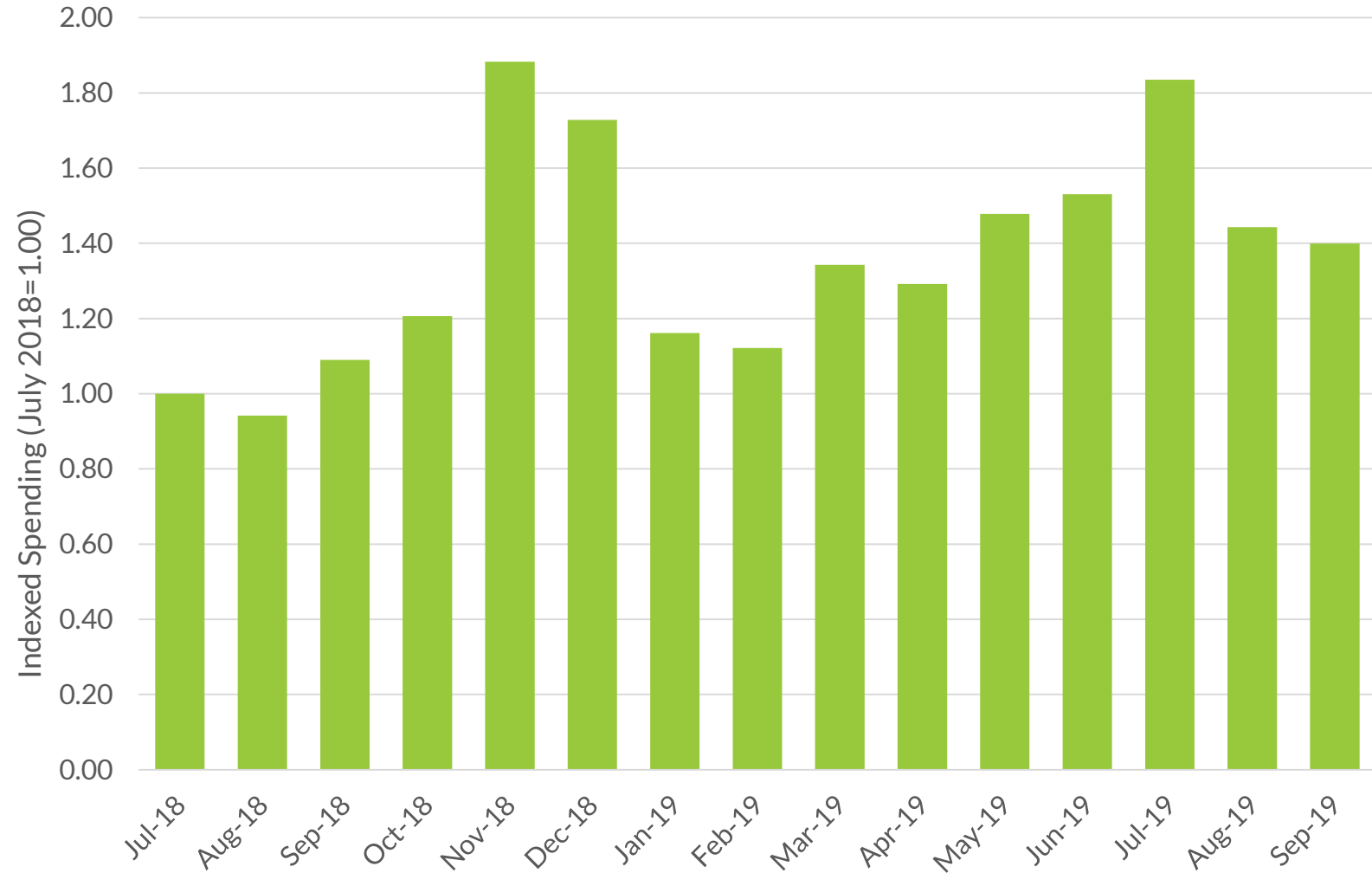
Spending on these ads increased 14% compared to Q3 of last year



ECOMMERCE

Summer Peak For Spending In July

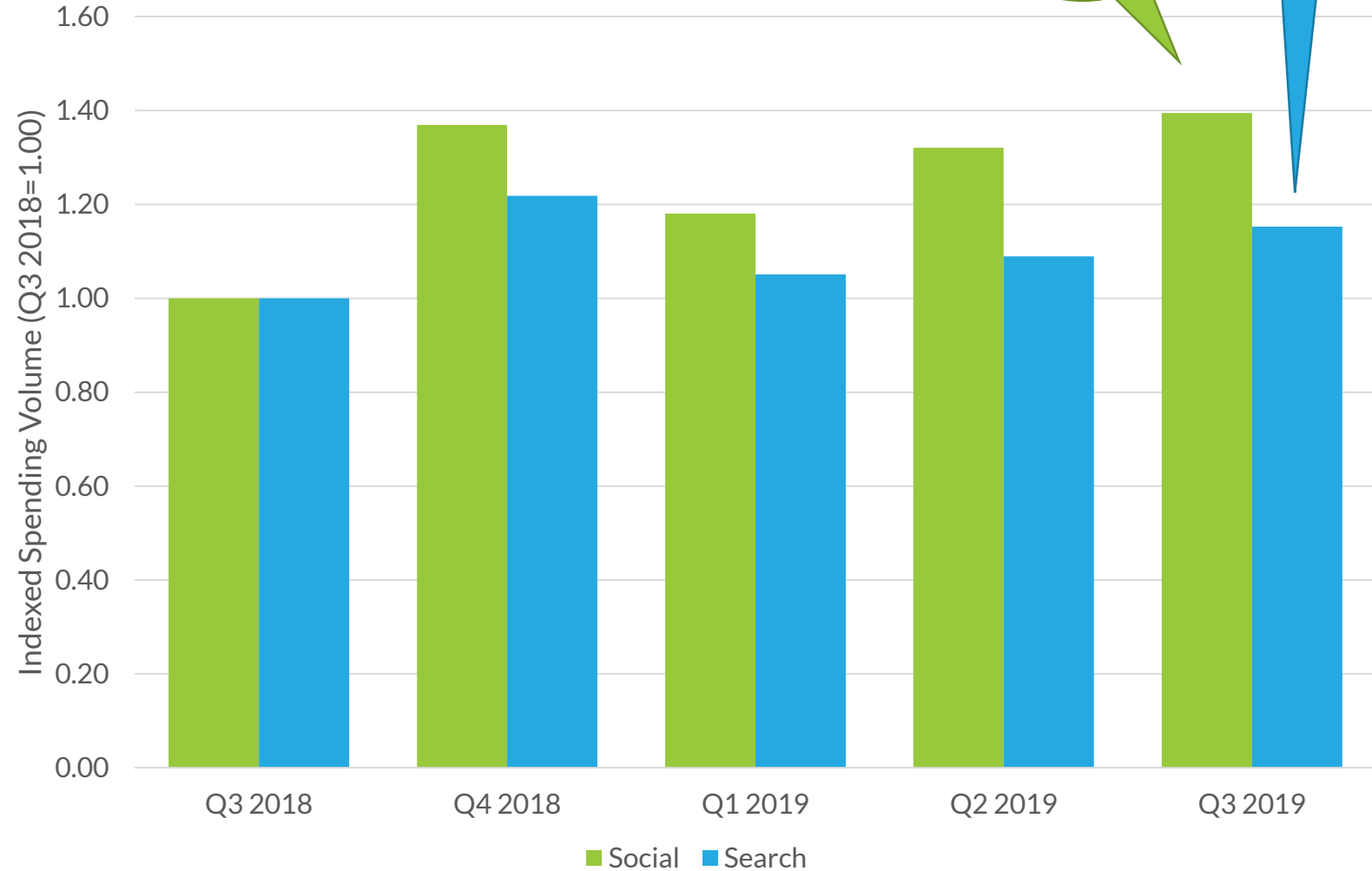
Targeted promotions in July garnered almost as much ad spending as November of last year on a same-advertiser basis



CROSS-CHANNEL Mobile Trends

Mobile ads comprised 88% of Q3 social spending and 54% of search spending

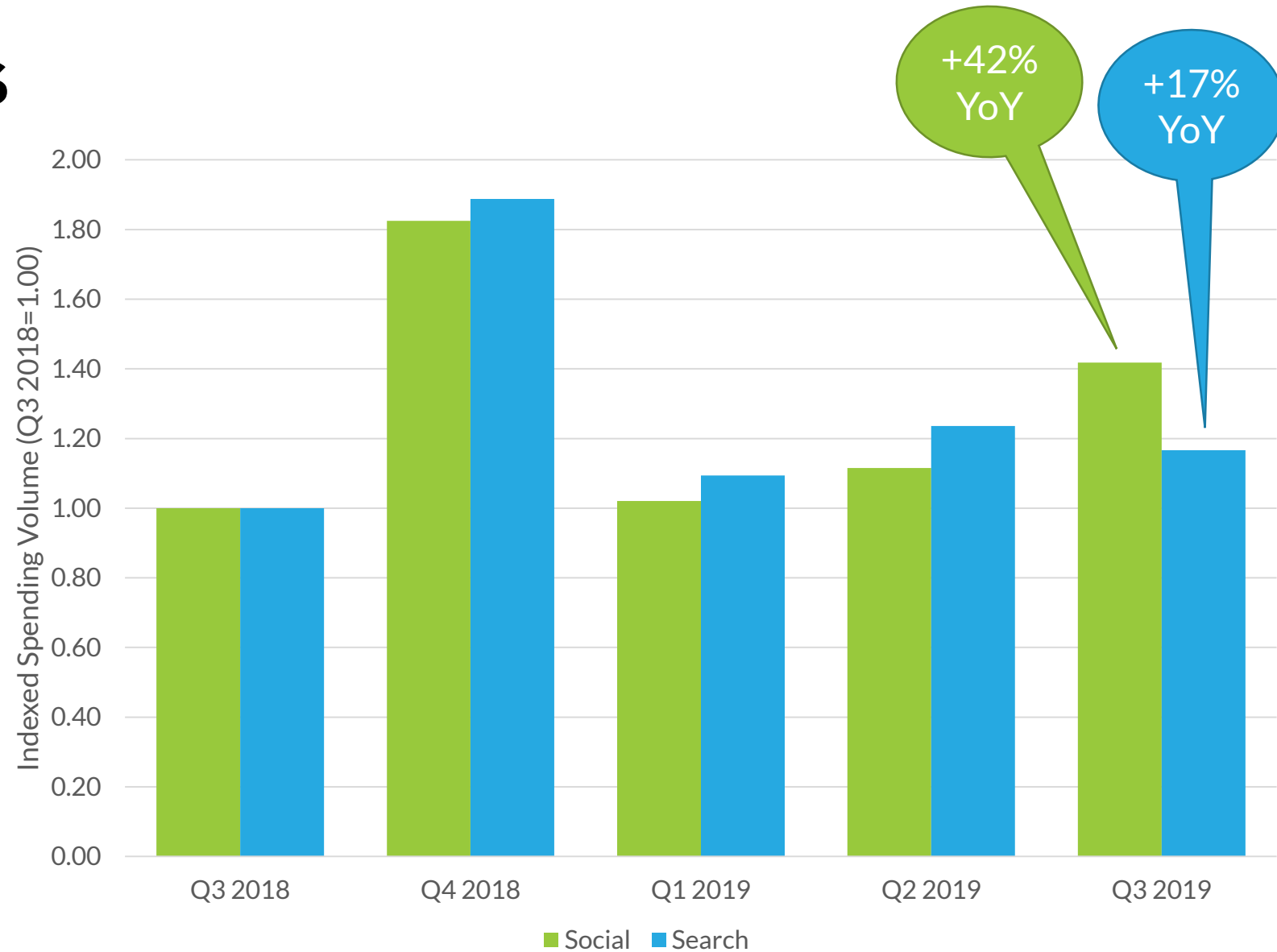
Year-over-year, spending growth for smartphones outpaced desktop in both channels



CROSS-CHANNEL Product Ad Trends

Shopping campaign ads comprised 39% of total Q3 search spending for Kenshoo advertisers in the Ecommerce vertical

For social, dynamic product ads made up 37% of the Q3 total for this industry category





Market Trends

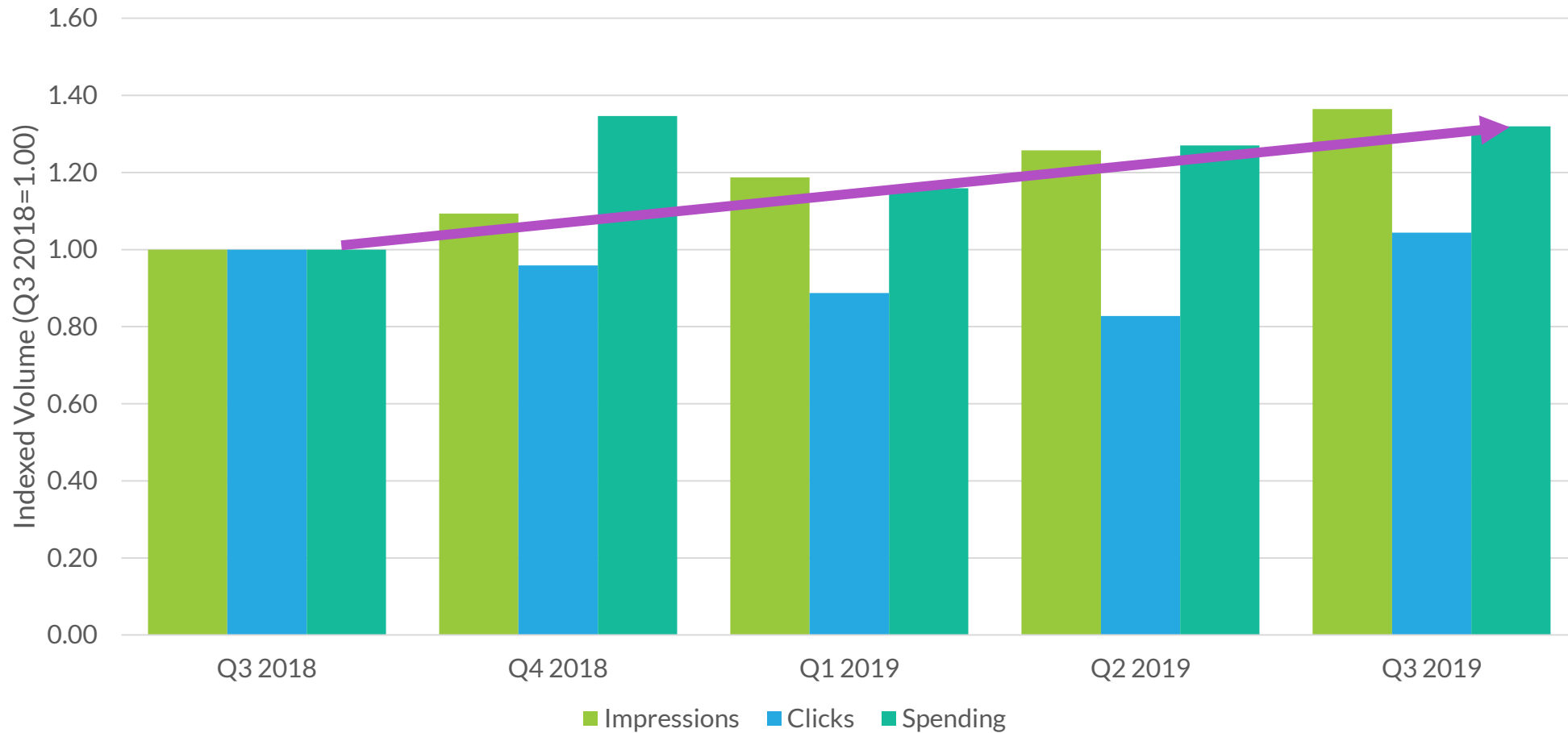
Social

Q3 2019



Social Trends

Social Volume Growth



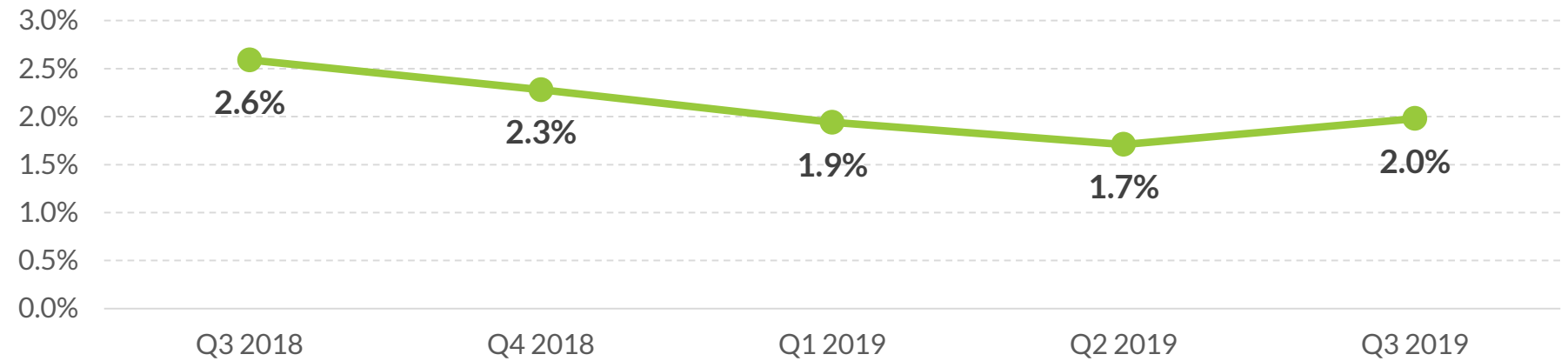
QoQ	YoY
Impressions	
+9%	+36%
Clicks	
+26%	+4%
Spending	
+4%	+32%



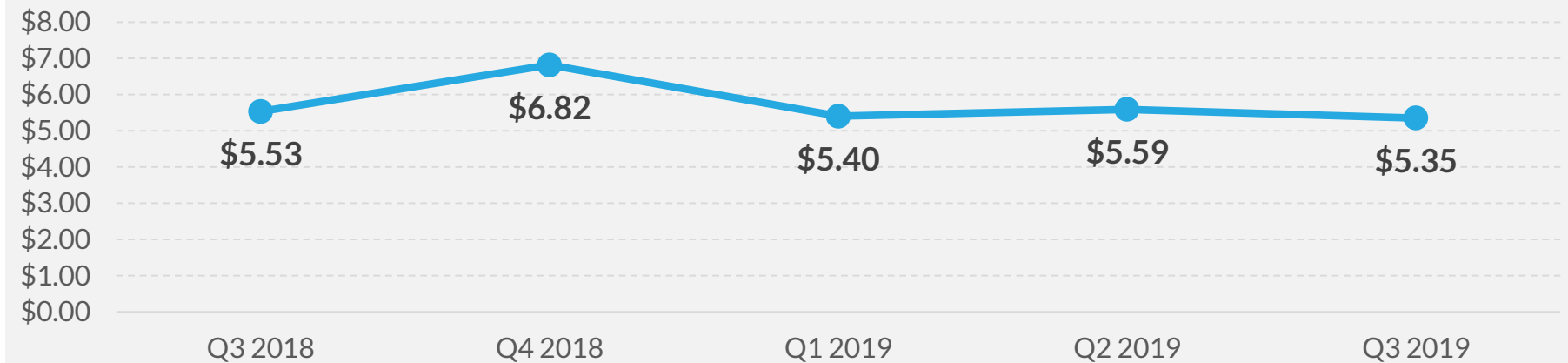
Social Trends

QoQ	YoY
Click-through Rate	
+16%	-24%
CPM	
-4%	-3%

Click-through Rate (CTR)



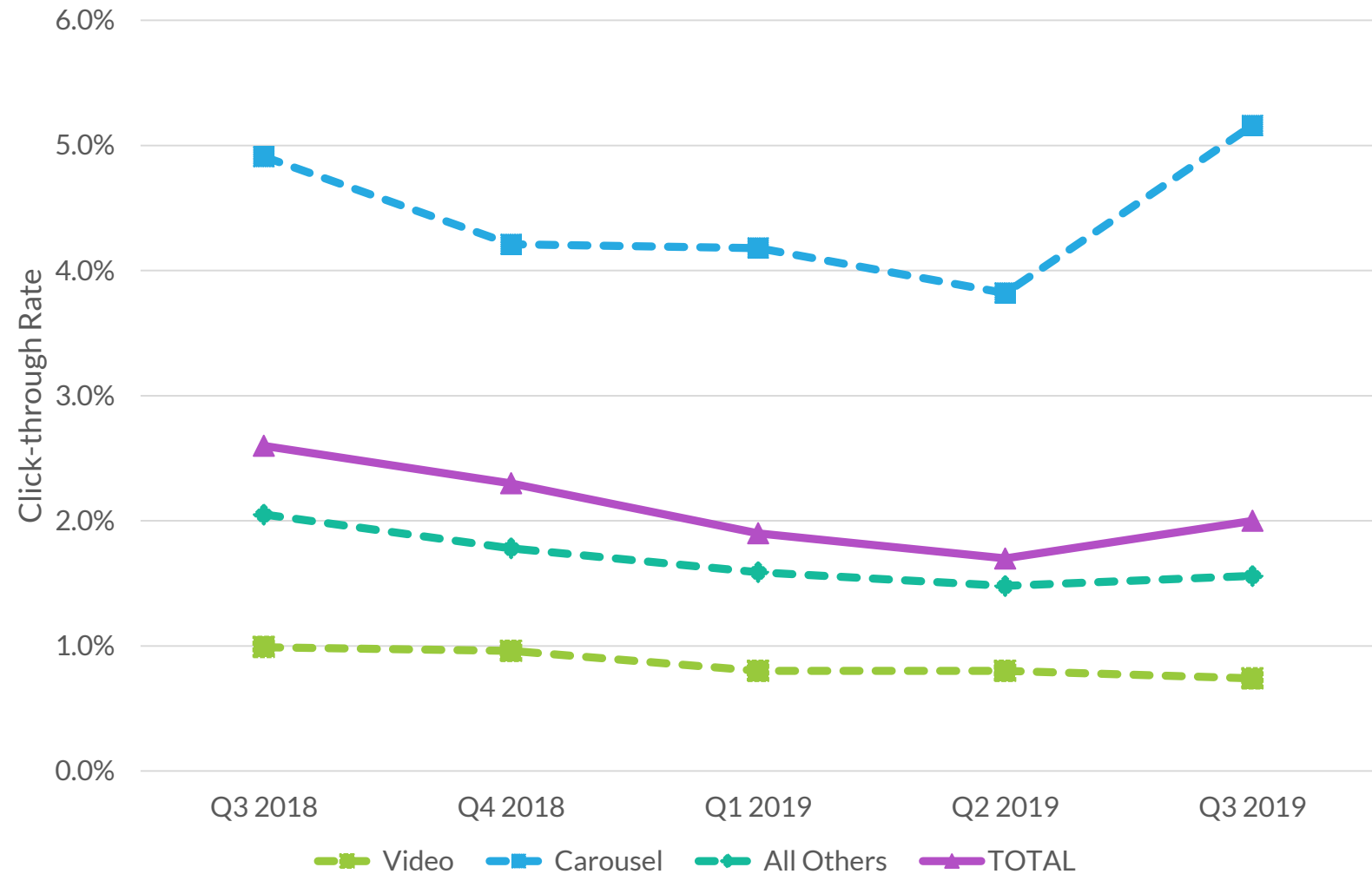
Average Cost per Thousand Impressions (CPM)



Social CTR by Post Type

Carousel ads (high CTR) and Video ads (low CTR) can have disproportionate effects on aggregate click-through rate

The Q3 increase in CTR, for example, is primarily due to greater engagement with Carousel ads

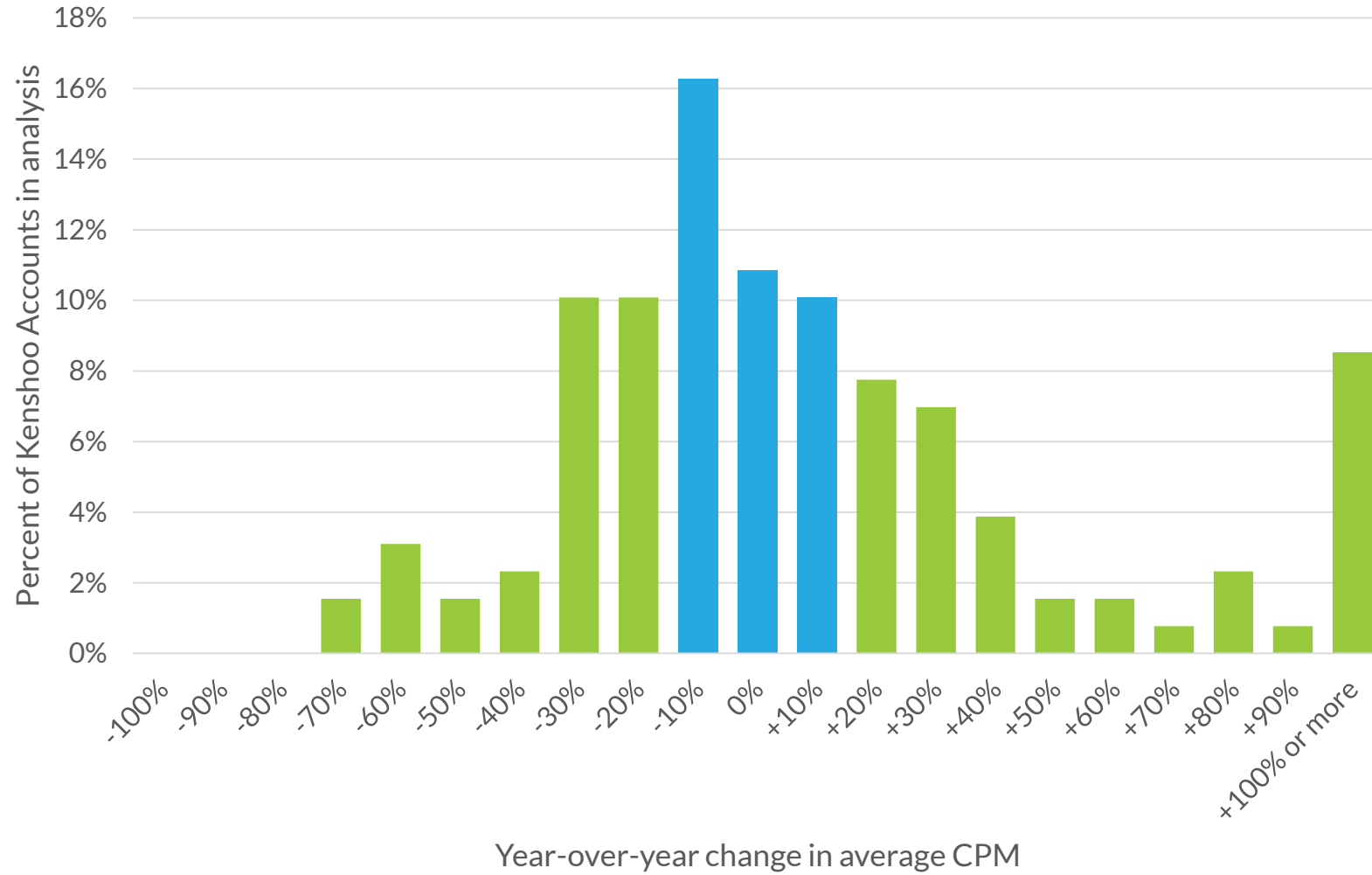


CPM changes by account

Most individual advertisers saw CPM fluctuations between -10% and 10% compared to Q3 of last year, with -10% being the largest category

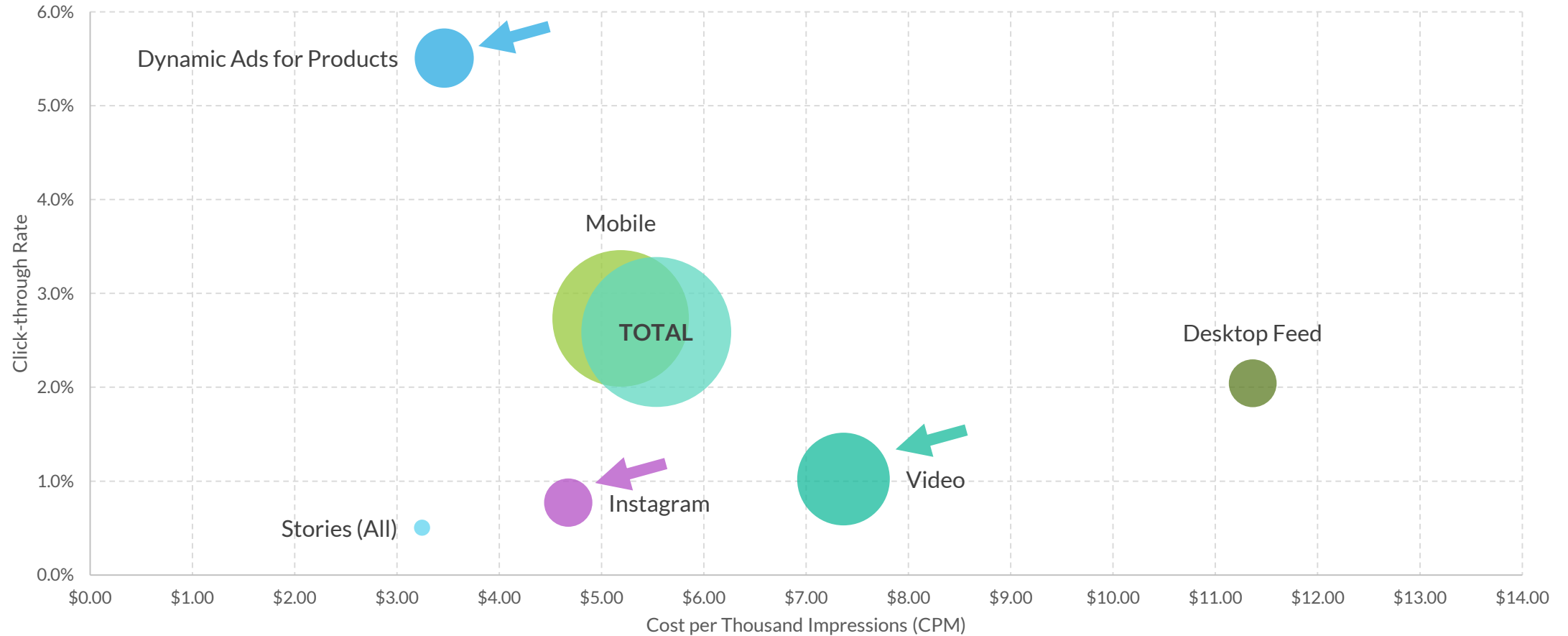
34% of advertisers saw CPC increase by 20% or more, while 29% saw a decrease of 20% or more

The median CPC change across all accounts in the sample was no change



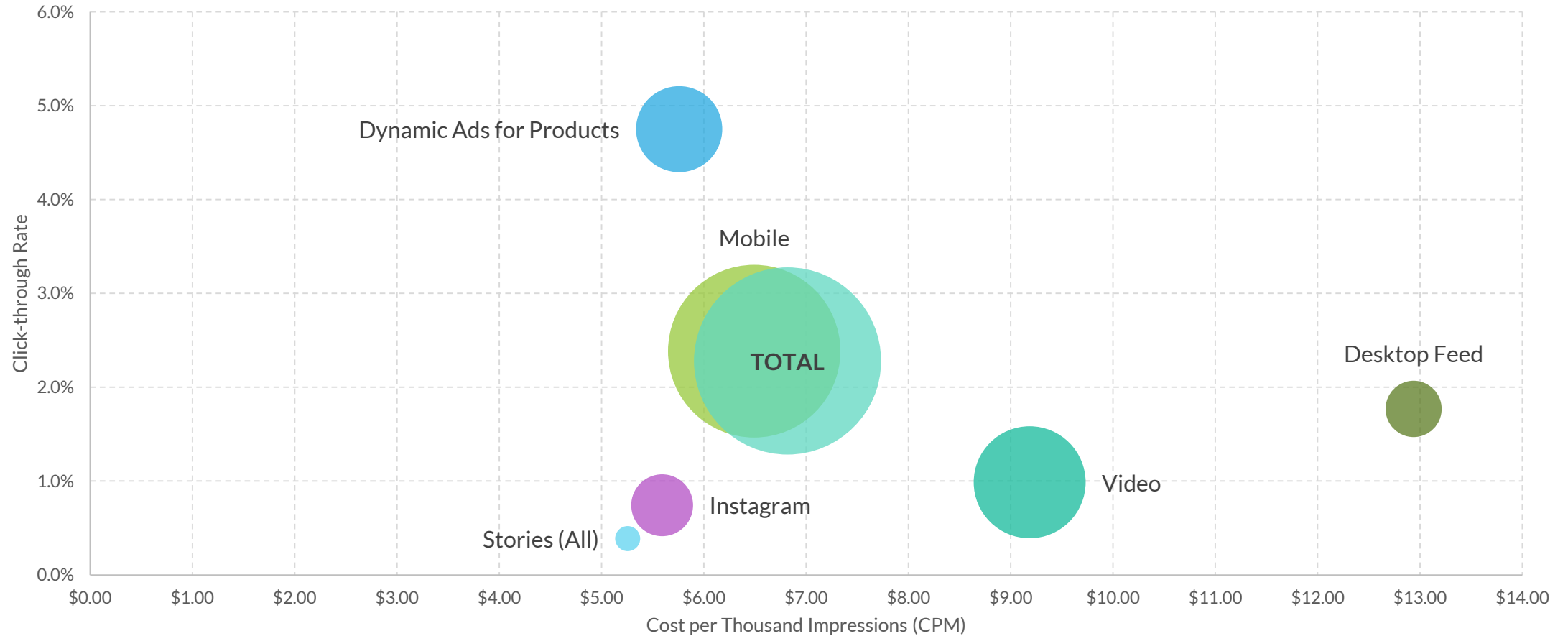
Key Social Segments by Quarter

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



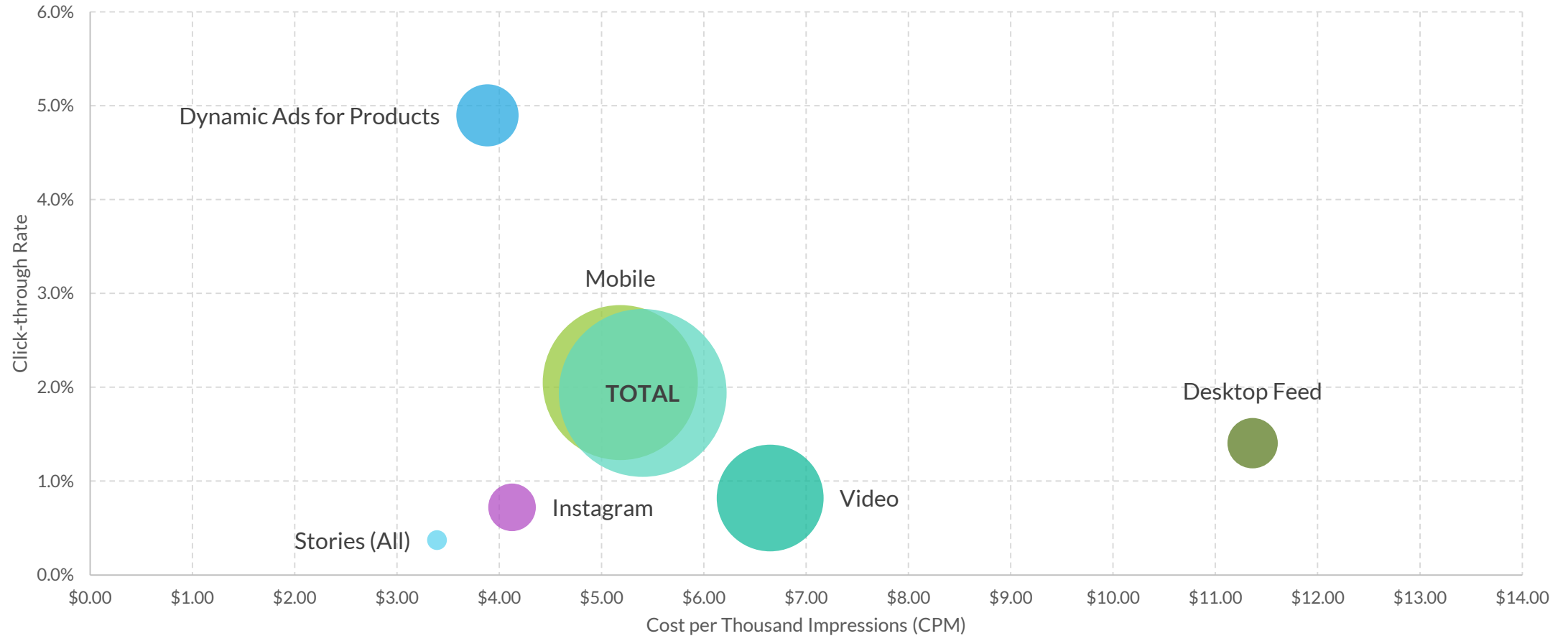
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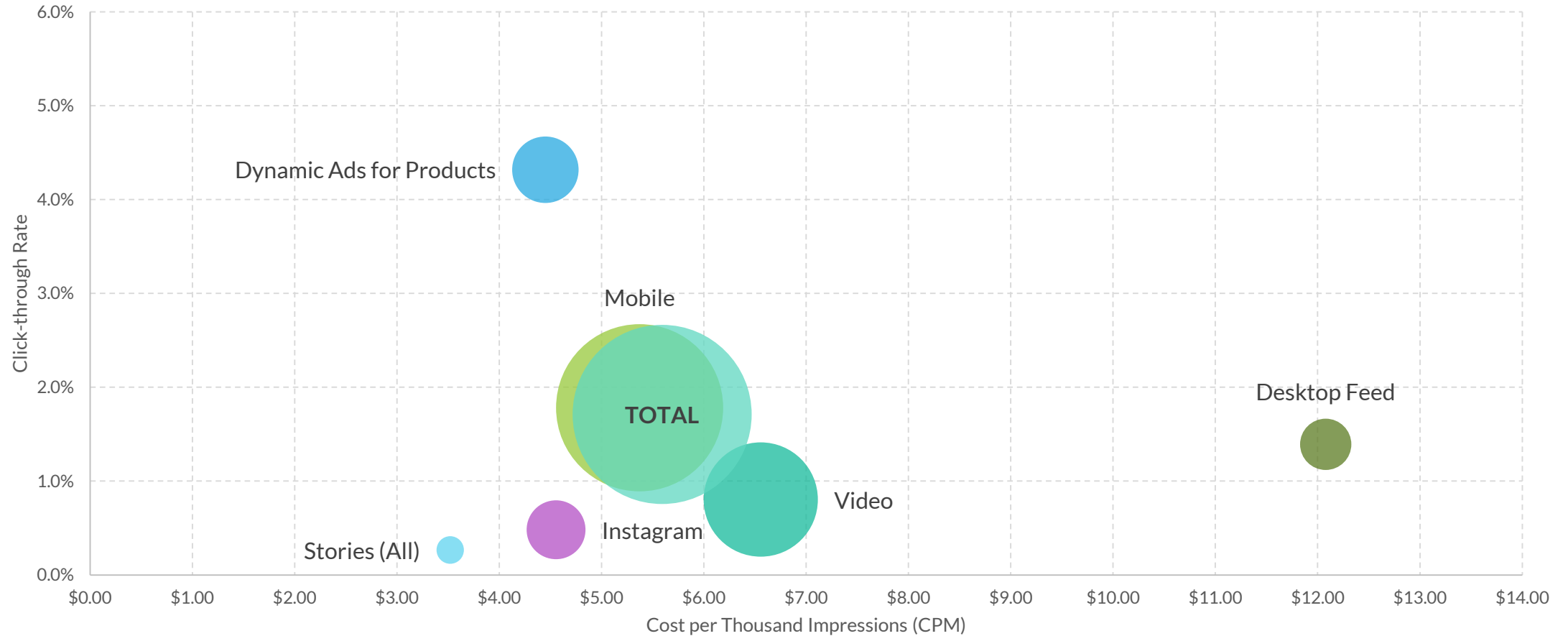
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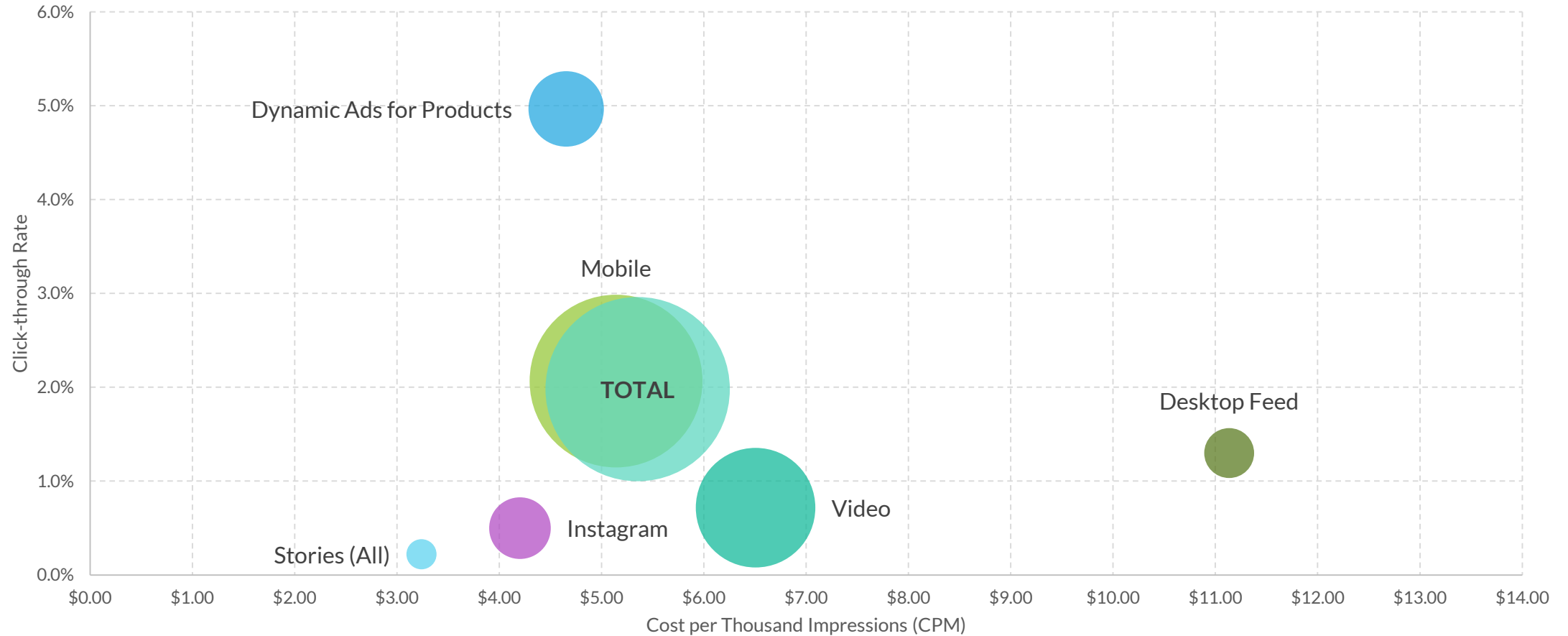
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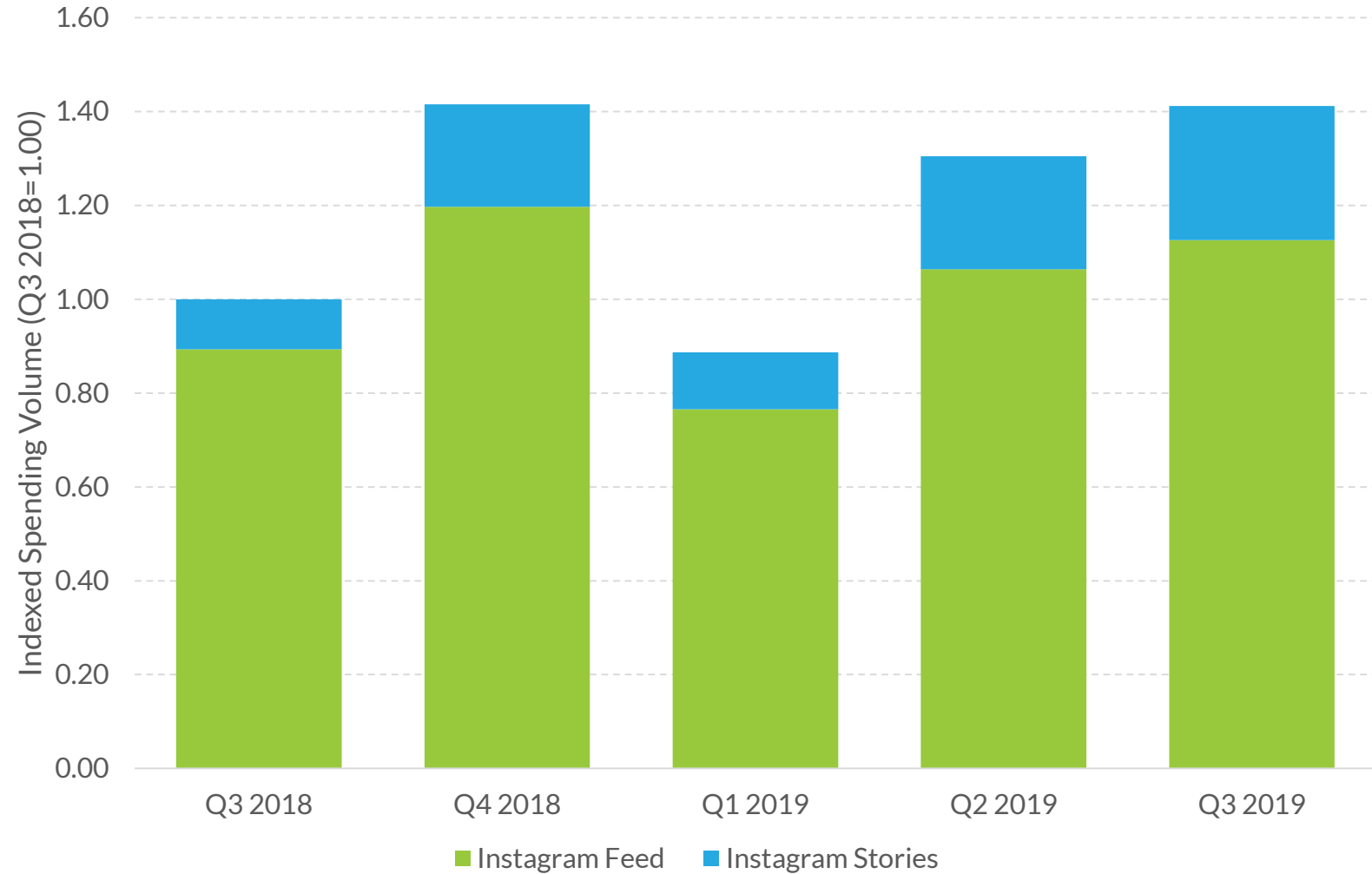
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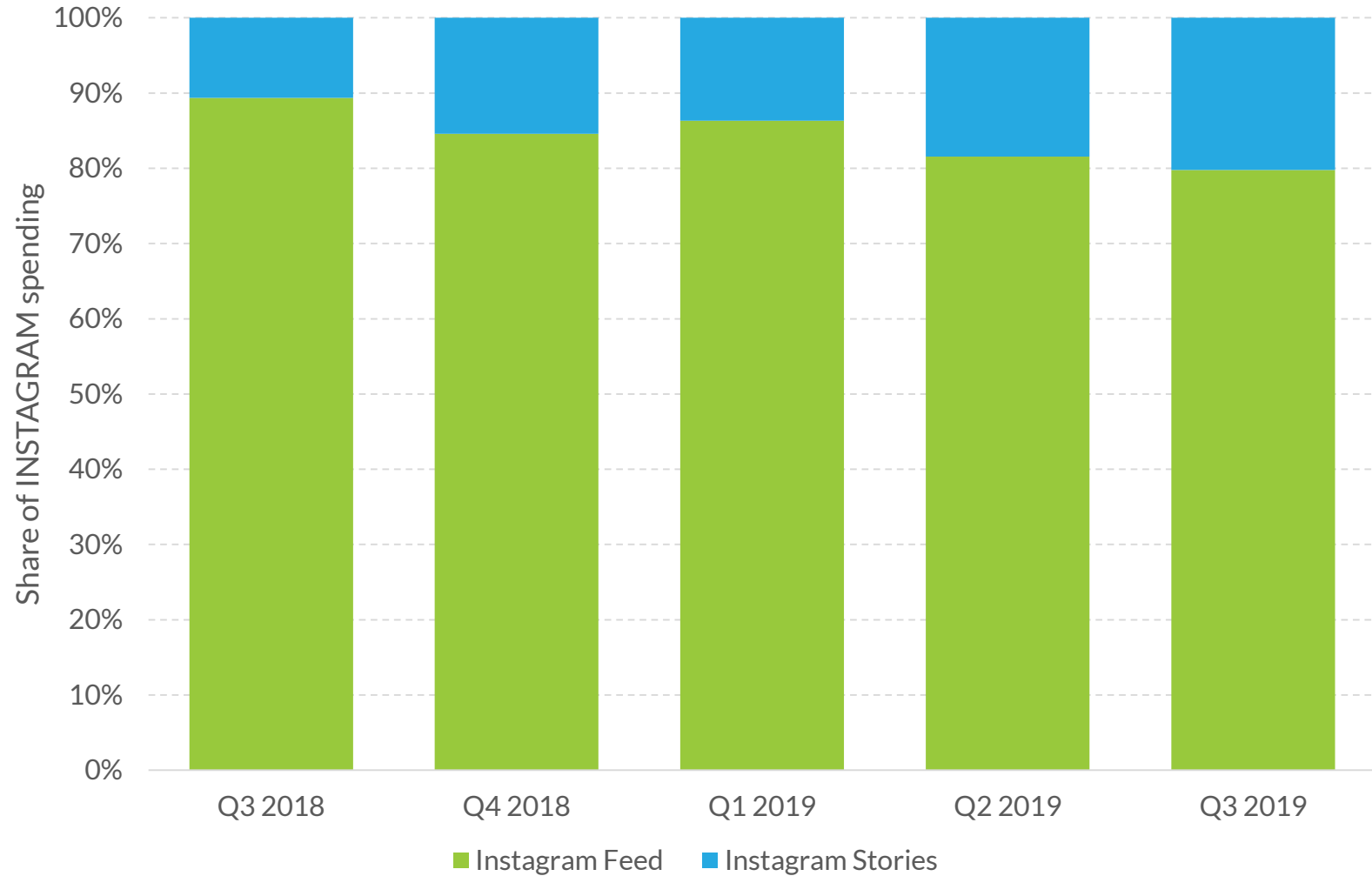
Focus On: Instagram

Instagram spending grew 42% over Q3 of last year, ten points higher than overall social growth



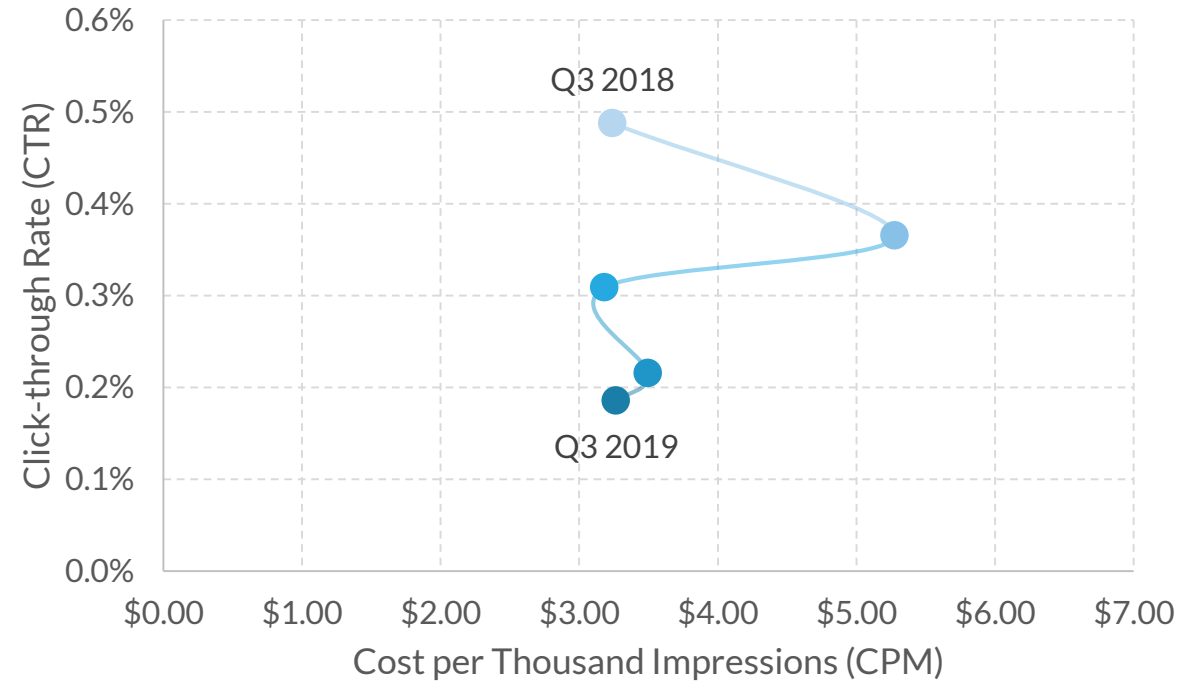
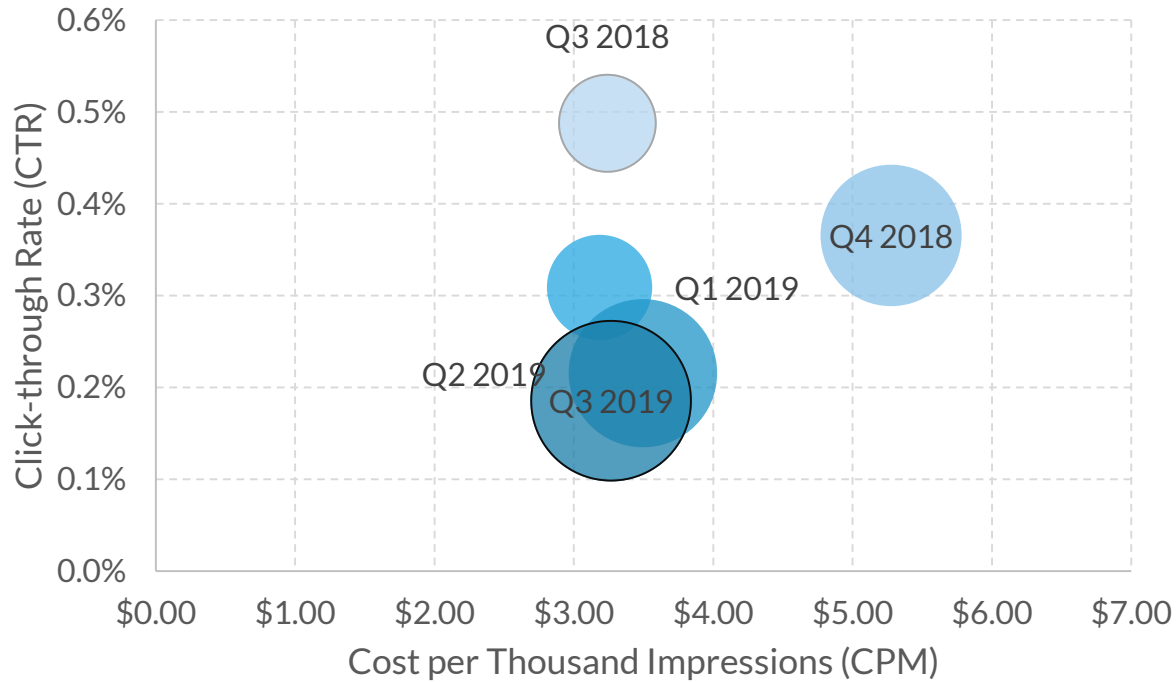
Focus On: Instagram

Stories continues to grow faster than Feed, accounting for 20% of Instagram spending last quarter



Focus On: Instagram Stories

Bubble size=spending volume



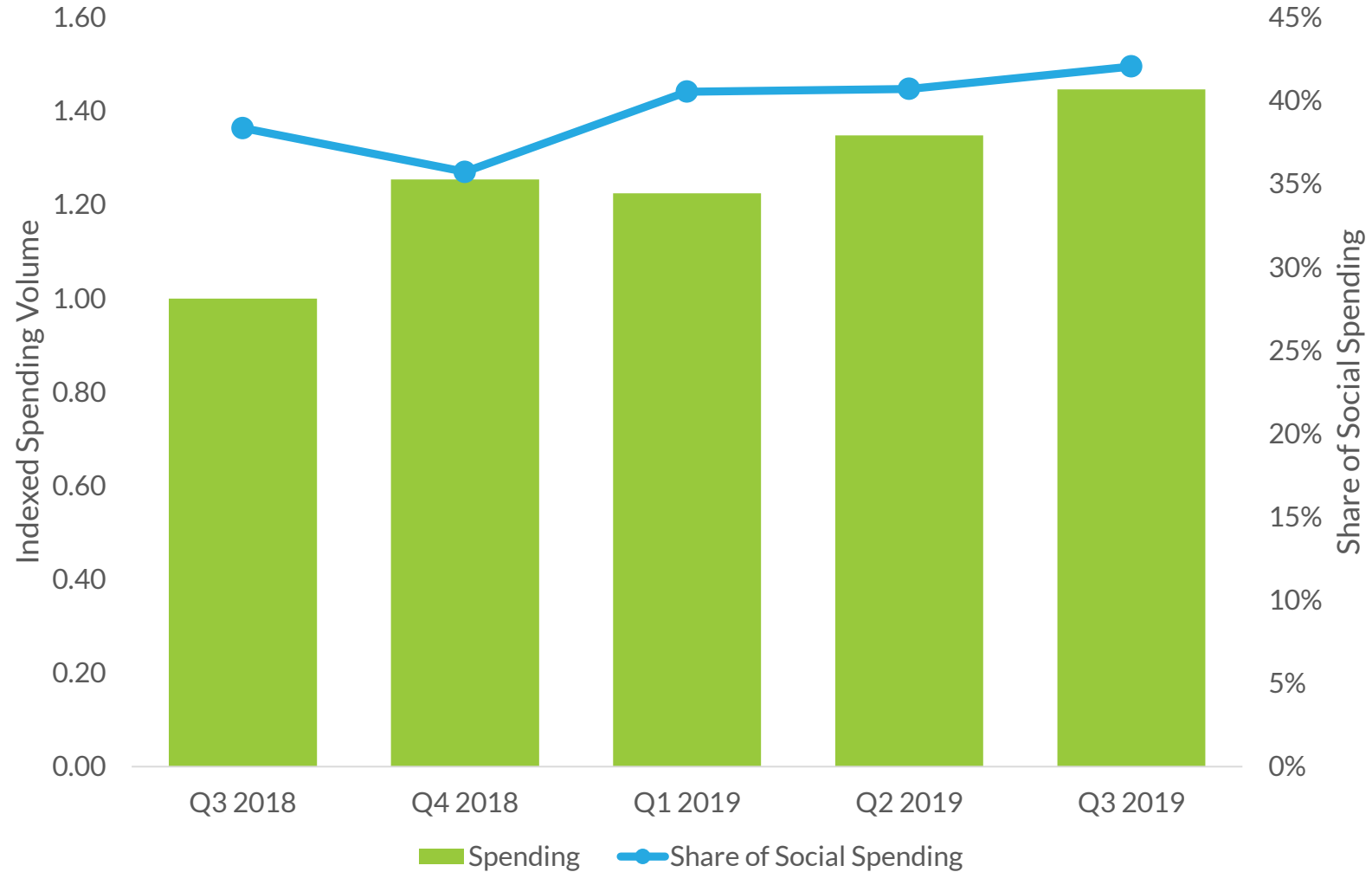
Instagram Stories ad spending increased 19% QoQ and 168% YoY, as the lower pricing and similar audience reach gives this placement an advantage over Instagram Feed. Lower CTRs do not impede spending growth.



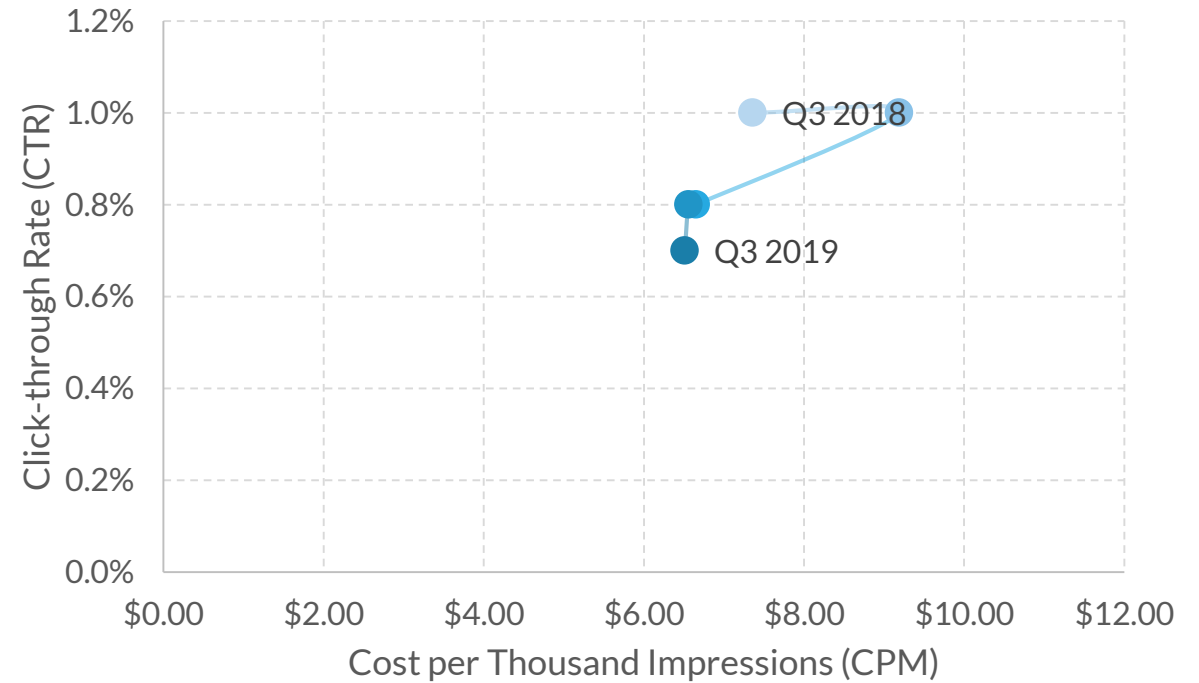
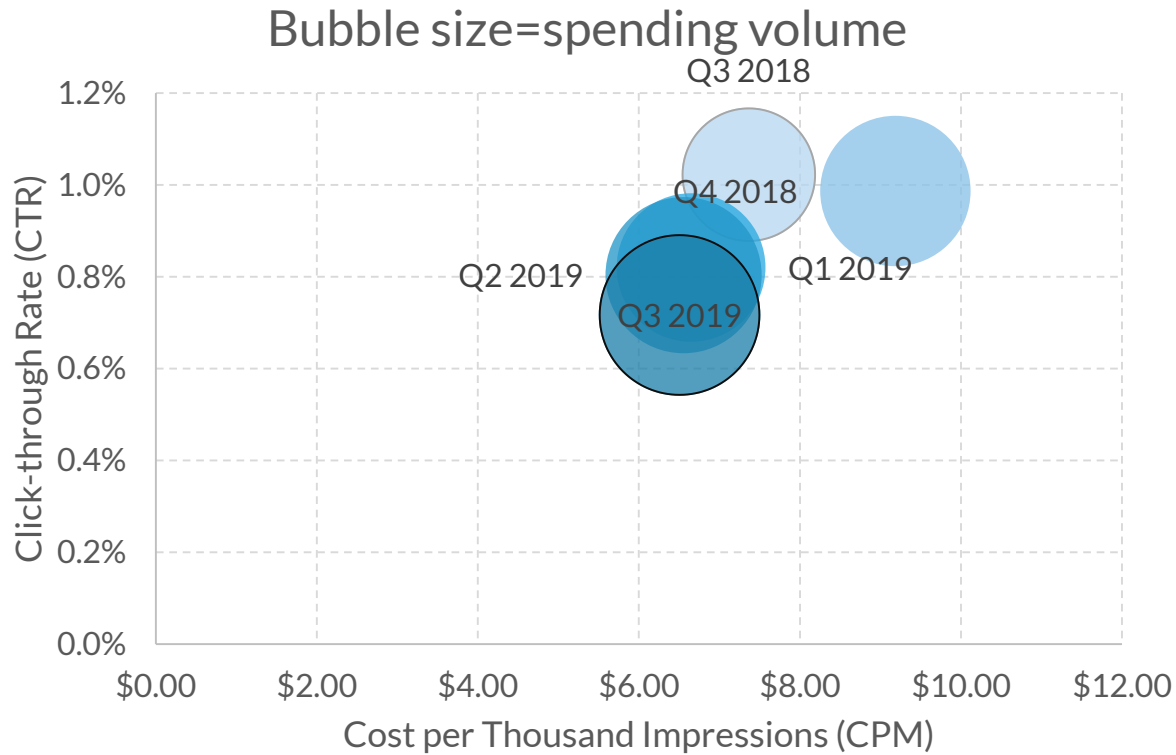
Focus on: Social Video

Social video ad spending grew 45% YOY and 7% QOQ, reaching 42% of total social spend

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



Focus On: Social Video



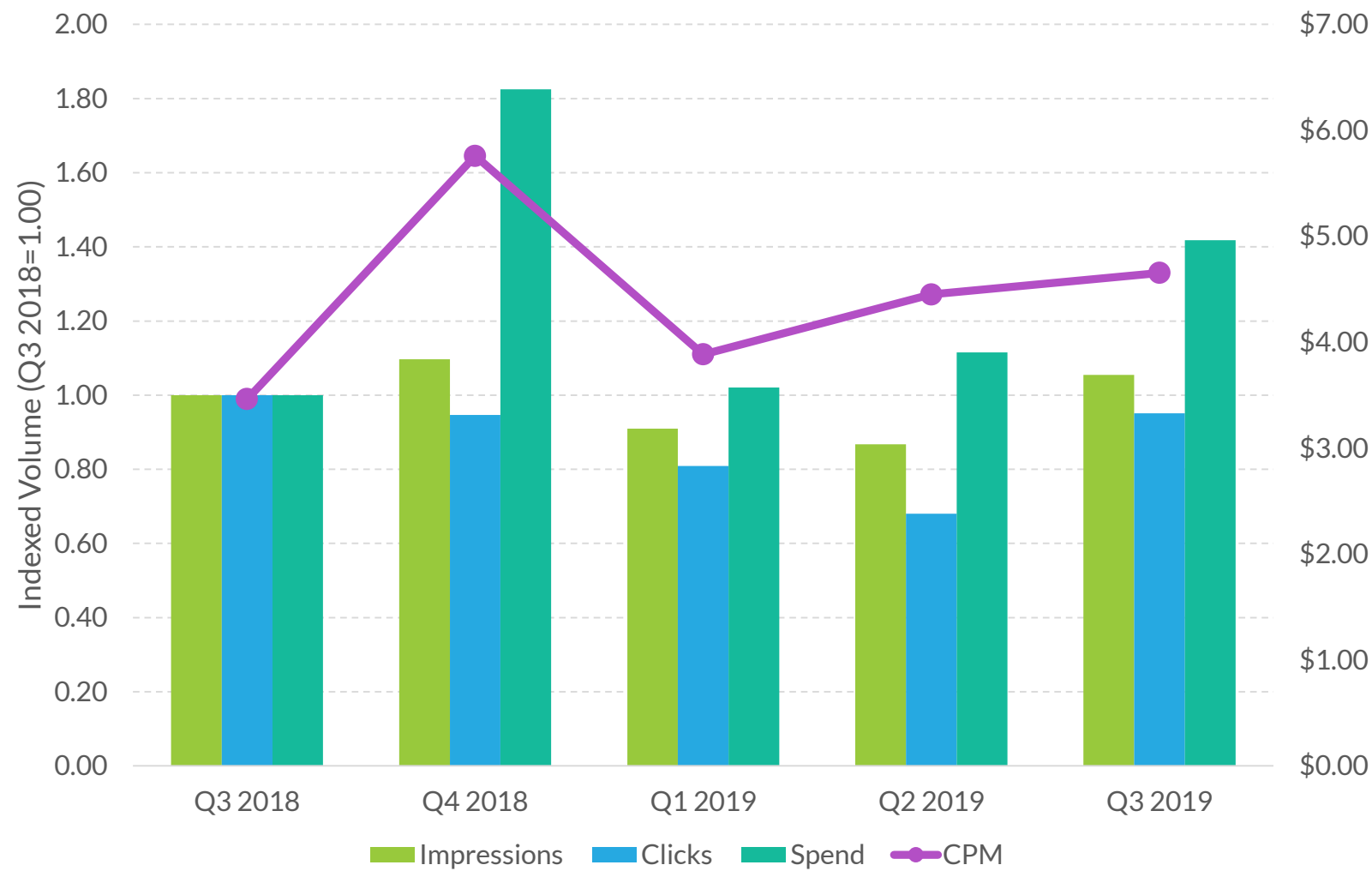
Social video CPMs increased 25% from Q3 to Q4 last year, so we should expect a spike in the fourth quarter of this year as well



Focus On: Product Ads

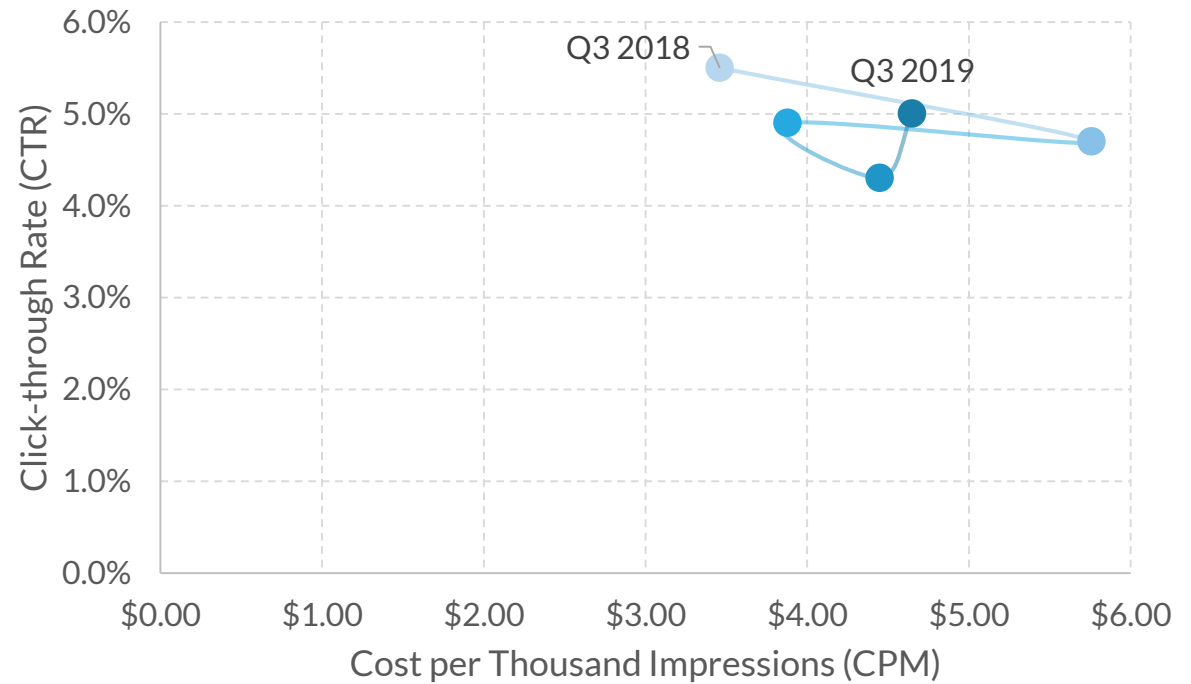
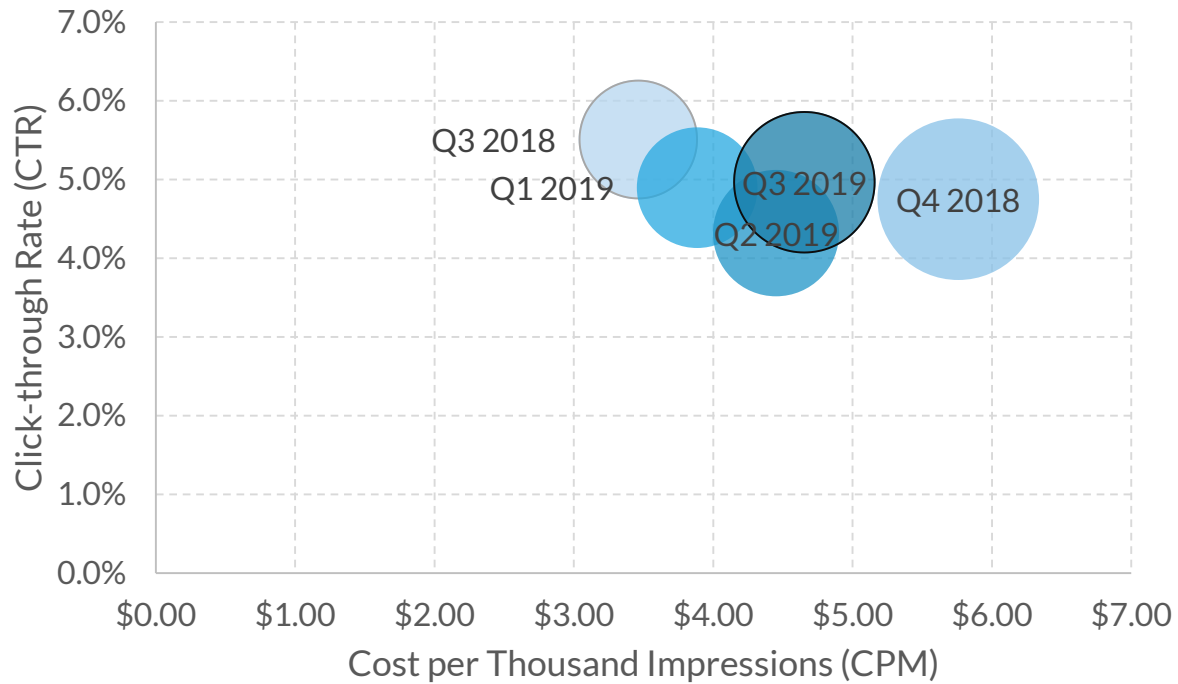
Both impressions and clicks rebounded in Q3 as advertisers prepared for the holidays

Multiple clickable elements in the Carousel version of dynamic product ads can add variance to click volume trends



Focus On: Product Ads

Bubble size=spending volume



Spending on Dynamic Ads for Products grew 42% YOY, while CPMs increased slightly over the previous quarter



Social Summary

Paid Social ad spending grew 32% over the third quarter of 2018, with Instagram, Video and Product Ads continuing to act as the key drivers behind the increase

Impressions grew faster than spending, and have shown steady increases in the number of ads shown across the past five quarters

Mostly flat CPM pricing may have held back overall spending growth compared to the previous quarter, and could be a result of increased use of optimization tools



Marketer Insight: Social

Social advertising continues to be a top choice for marketers, with some of the best audience targeting options for brands looking to reach highly segmented consumers at scale

Since 2016, social media is now the fastest growing referral source to ecommerce sites, while new functionality is enabling consumers to purchase products without leaving their social apps.

One of the biggest benefits of social advertising is how it assists conversions in other channels. To learn more about cross-channel advertising, read the complimentary Kenshoo white paper *Practical Cross-Channel Marketing*.





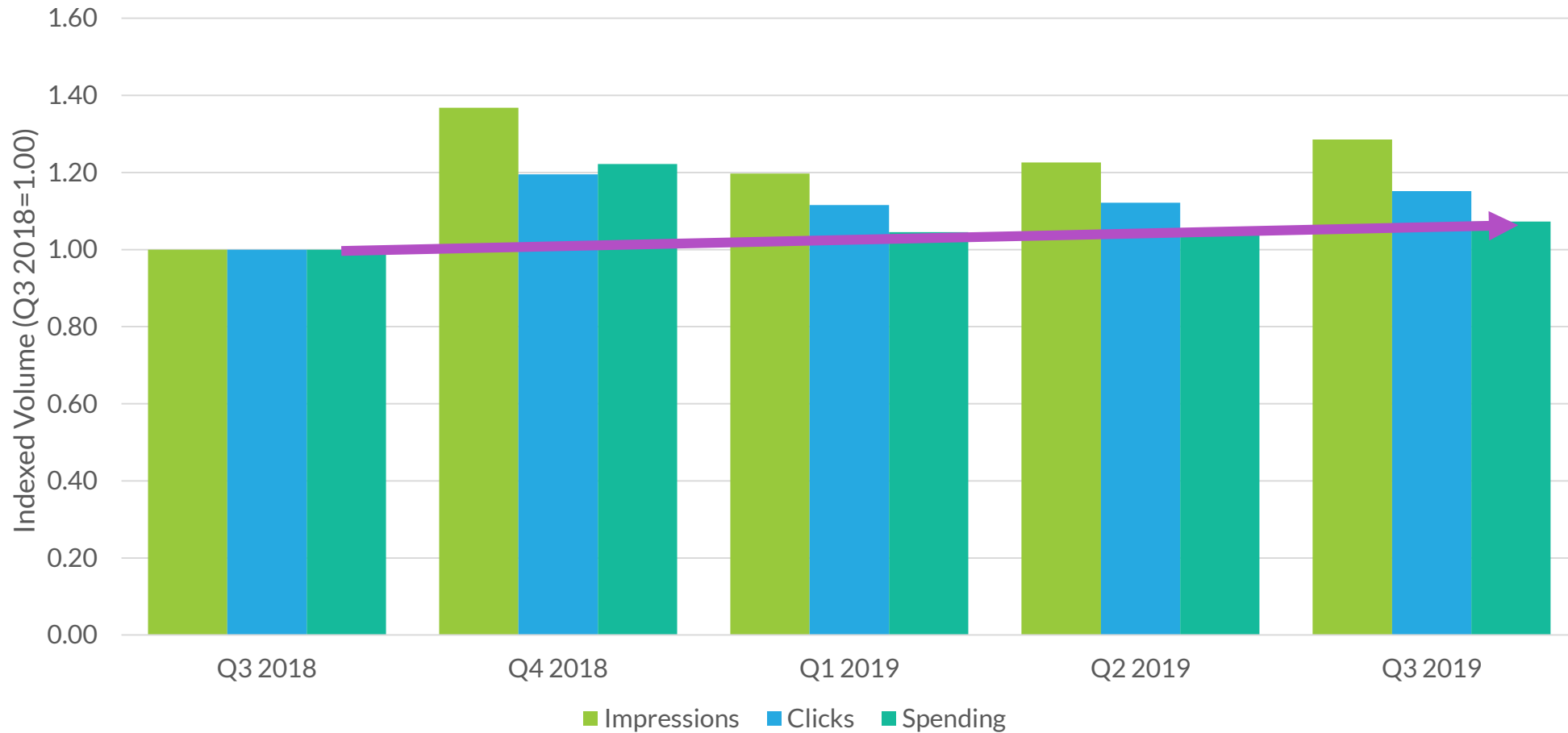
Market Trends

Search

Q3 2019

Search Trends

Search Volume Growth

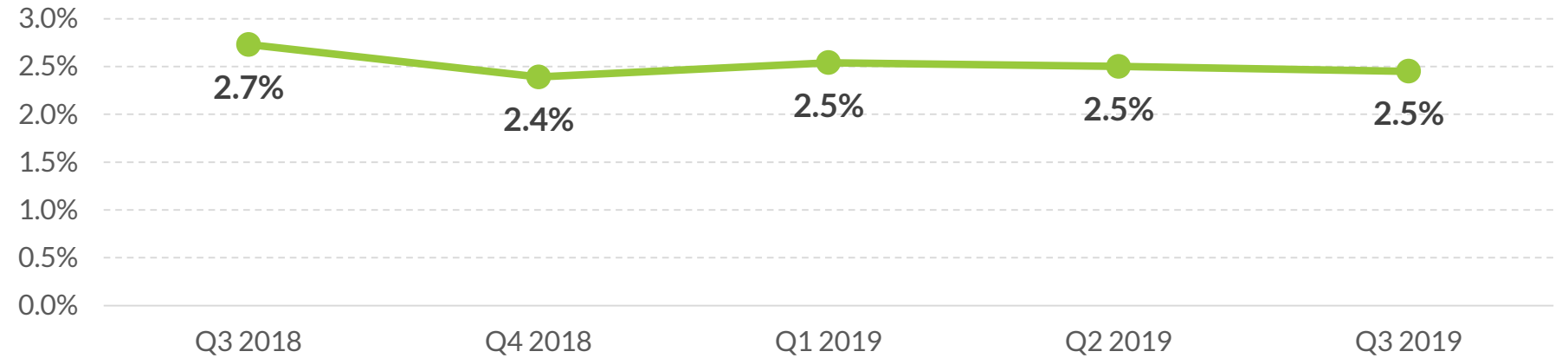


QoQ	YoY
Impressions	
+5%	+29%
Clicks	
+3%	+15%
Spending	
+2%	+7%

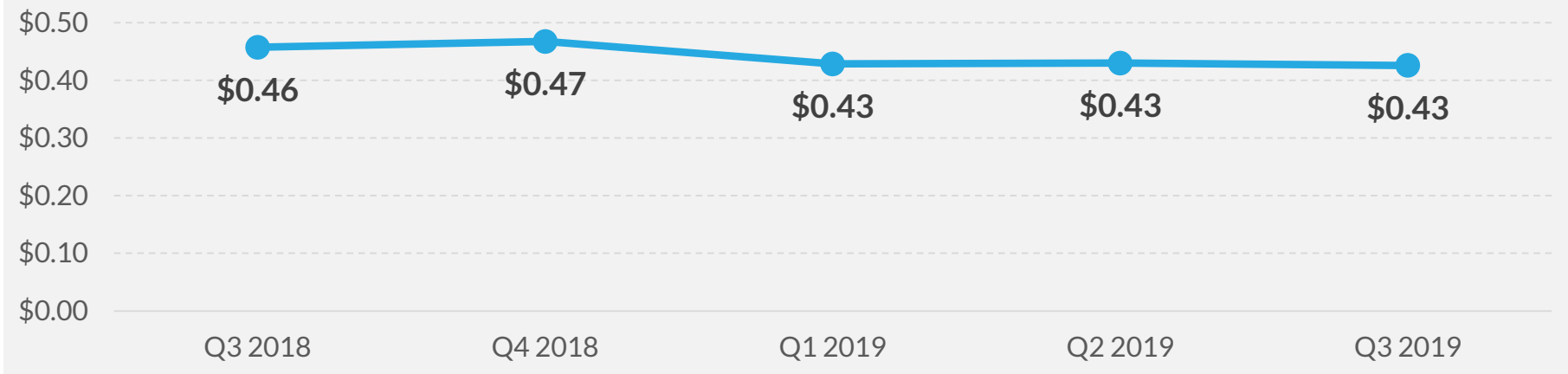
Search Trends

QoQ	YoY
Click-through Rate	
-2%	-10%
CPC	
-1%	-7%

Click-through Rate (CTR)

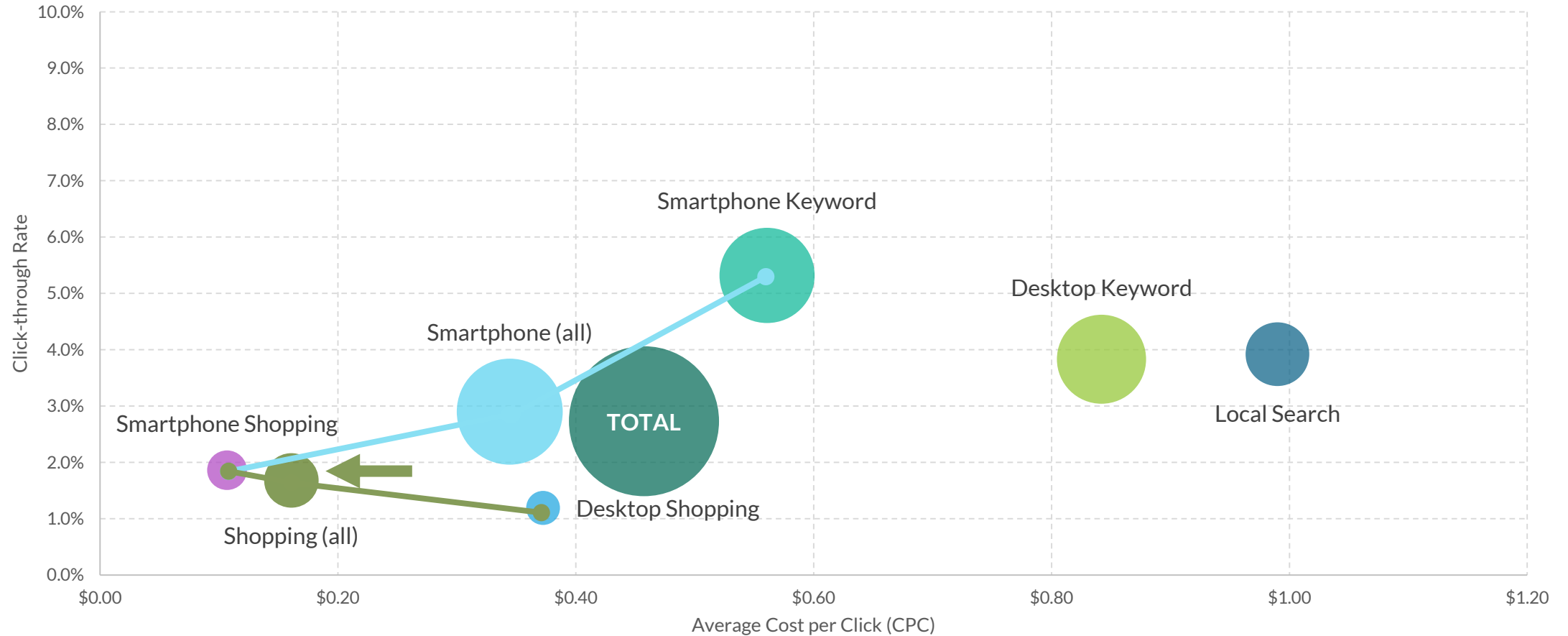


Average Cost per Click (CPC)



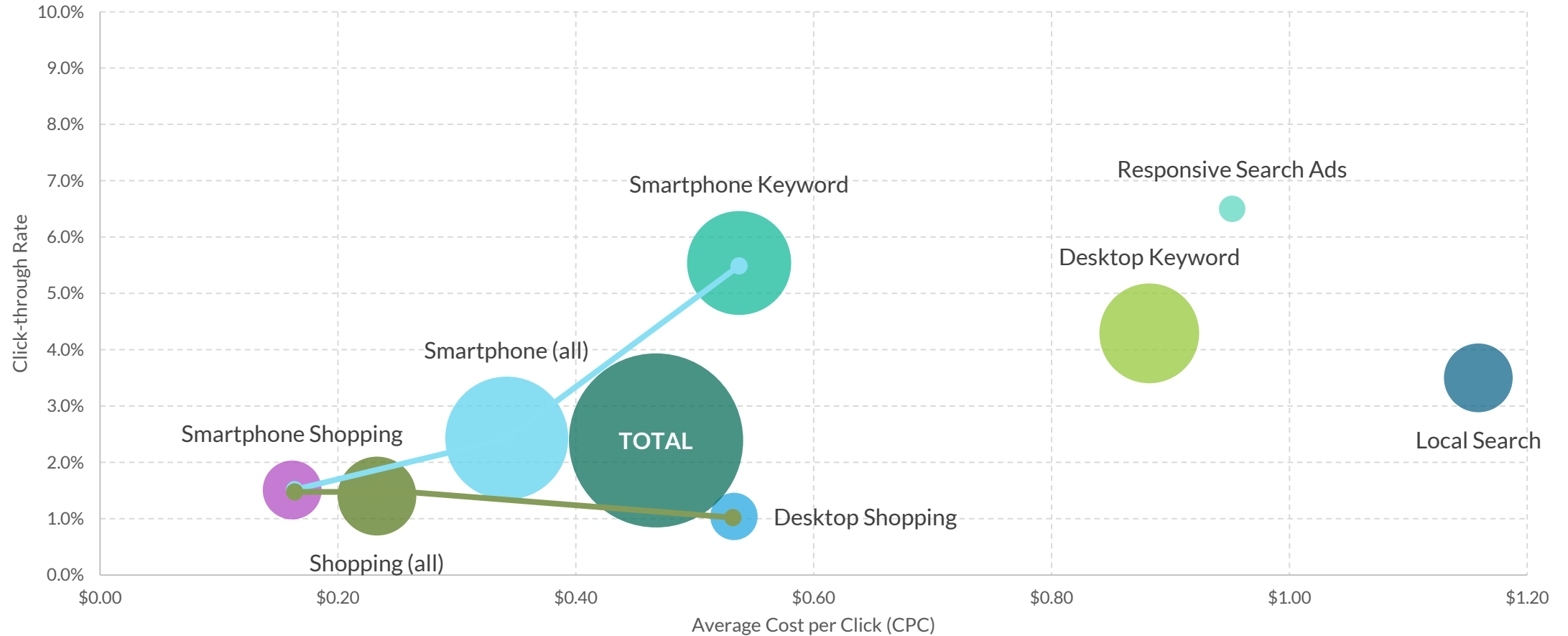
Key Search Segments by Quarter

Q3 2018 Q4 2018 Q1 2019 Q2 2019 Q3 2019
(Bubble size = Spending volume)



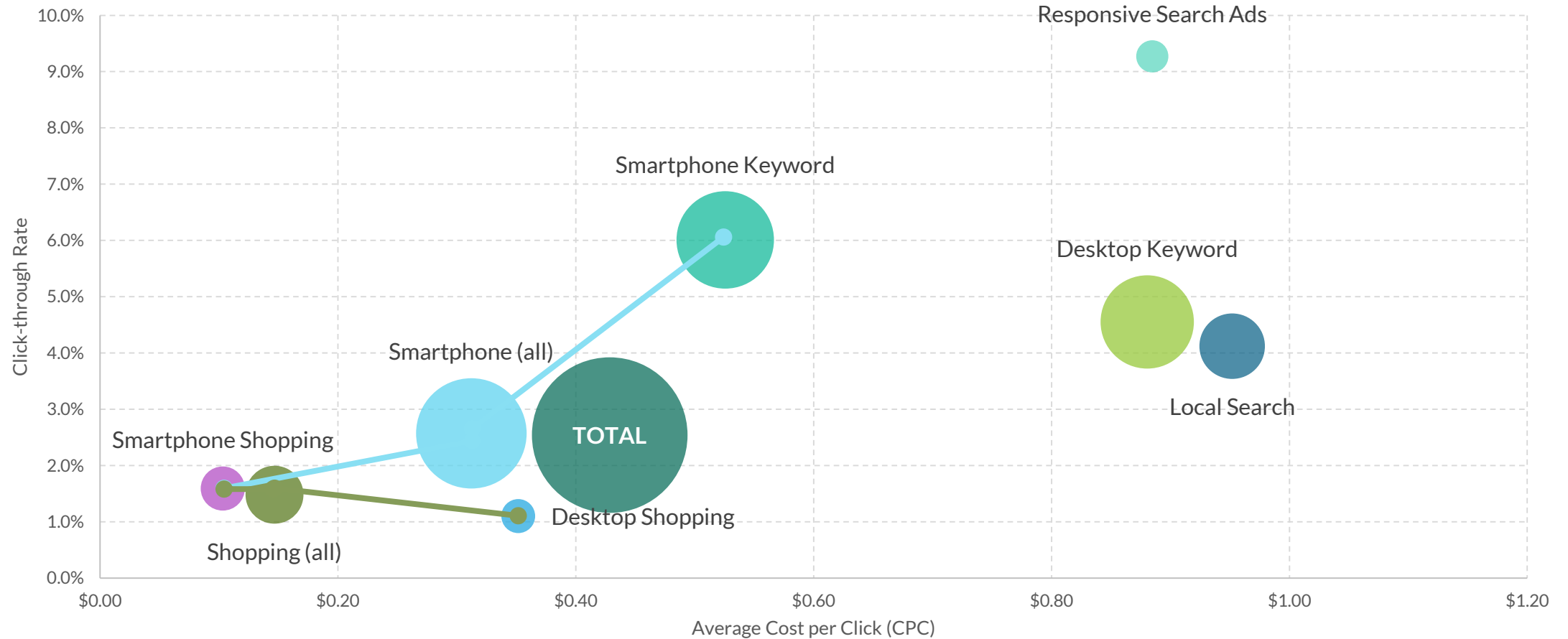
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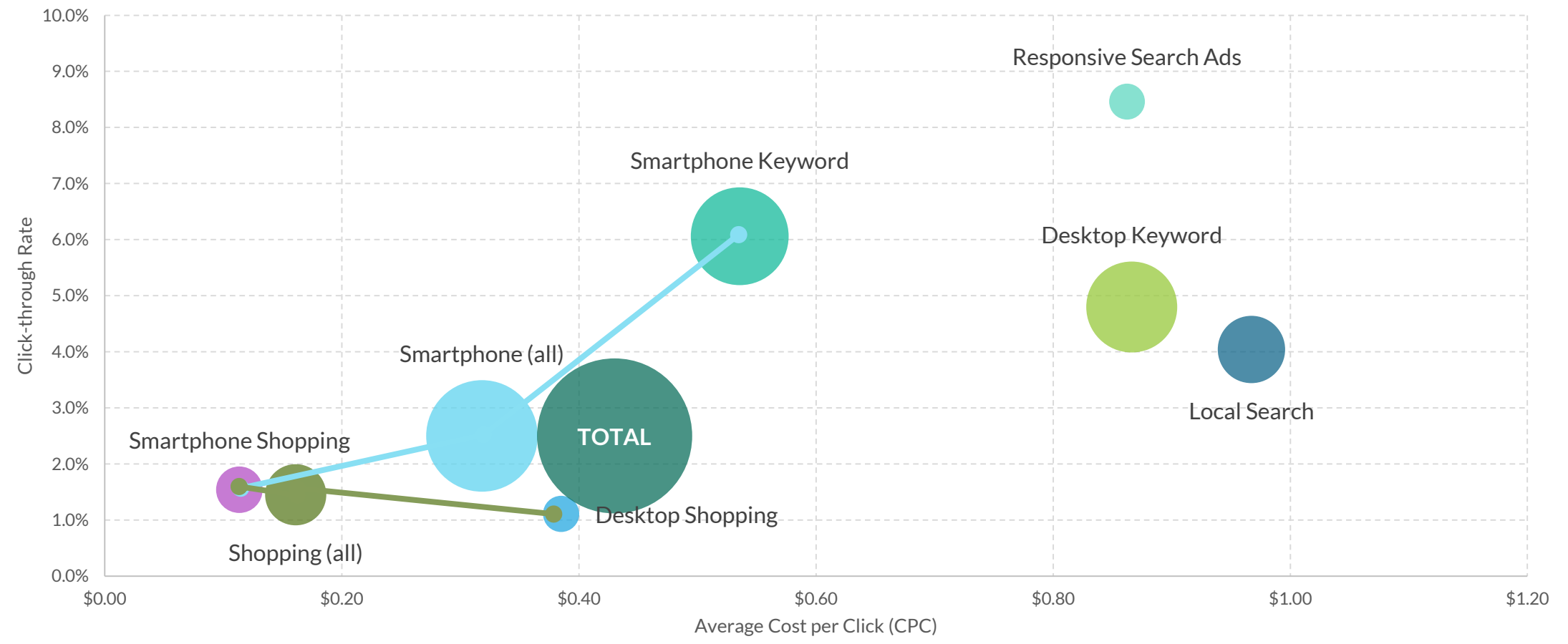
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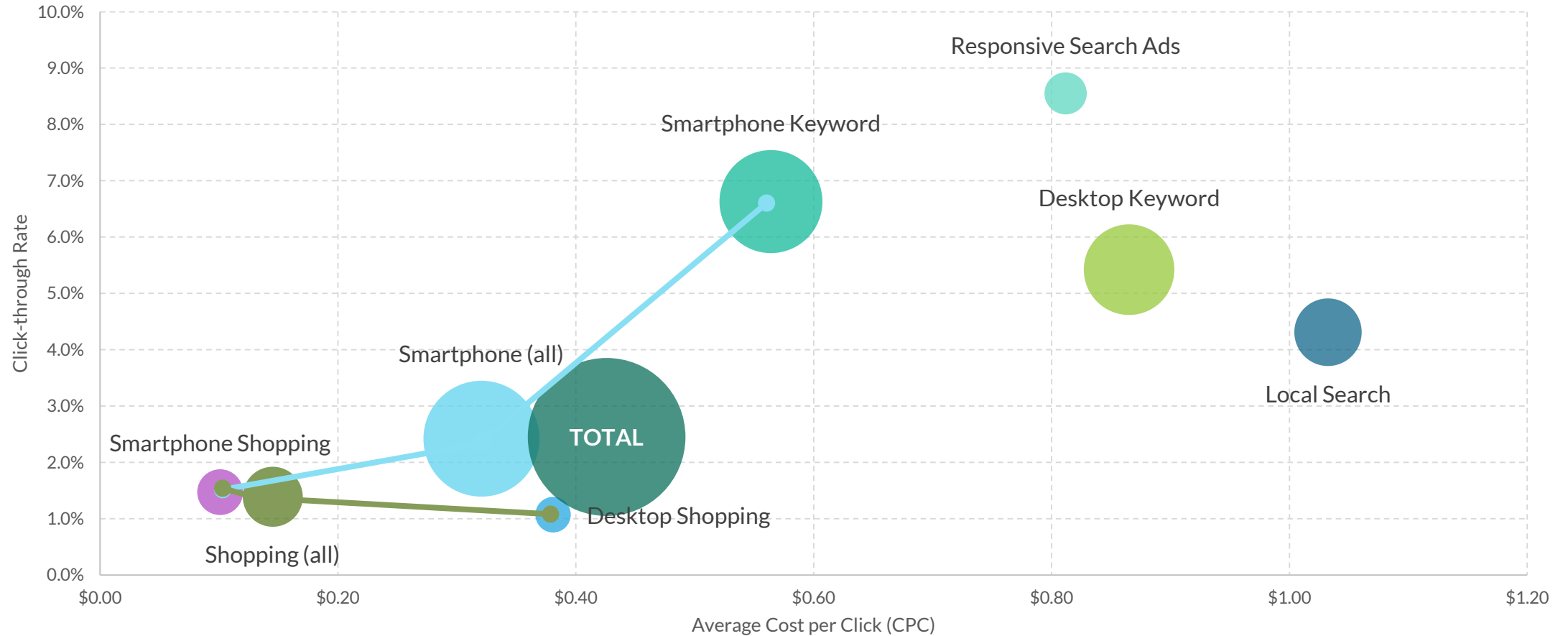
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Q3 2018 Q4 2018 Q1 2019 **Q2 2019** Q3 2019
(Bubble size = Spending volume)



Key Search Segments by Quarter

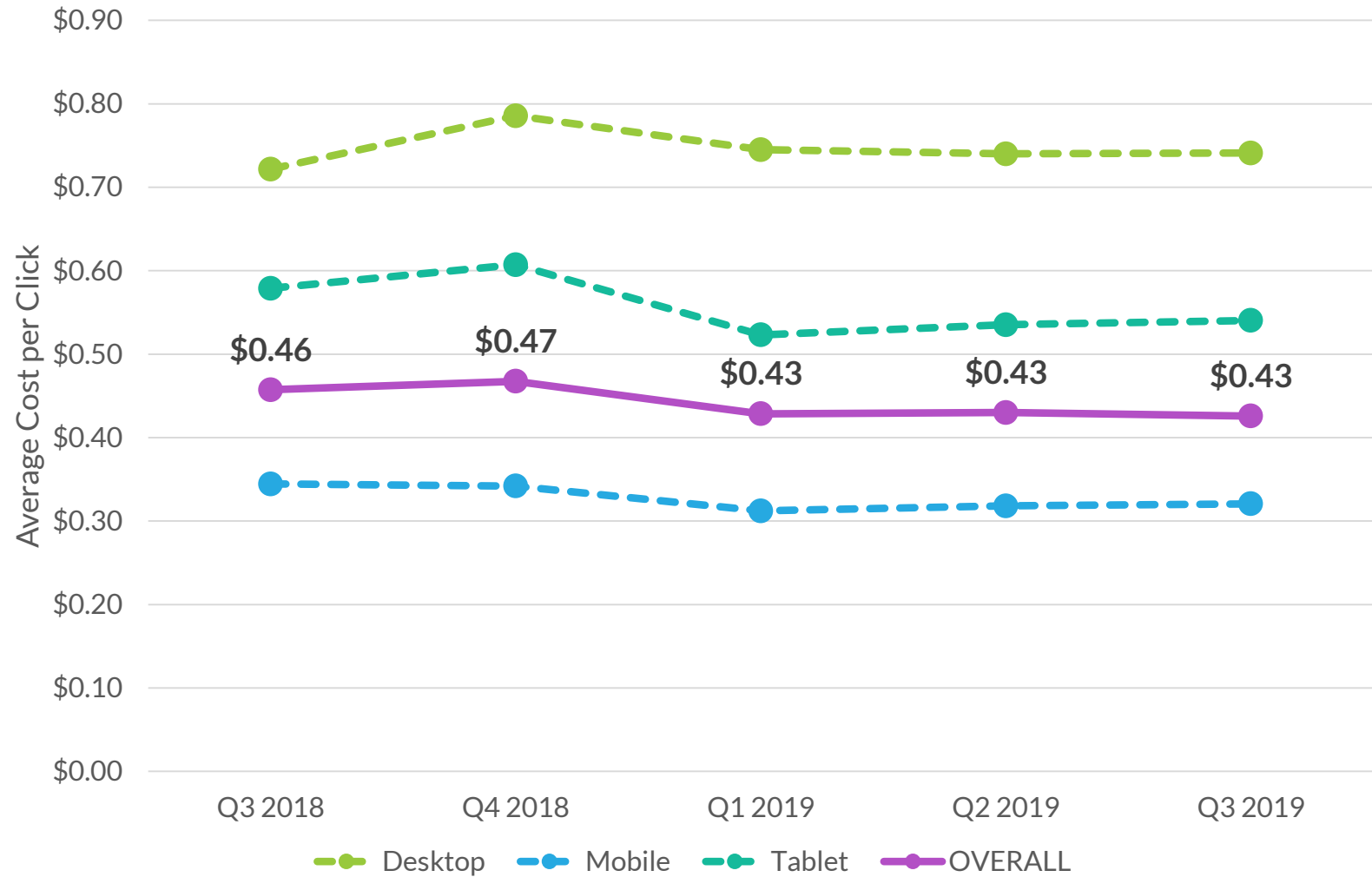
Q3 2018 Q4 2018 Q1 2019 Q2 2019 **Q3 2019**
(Bubble size = Spending volume)



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

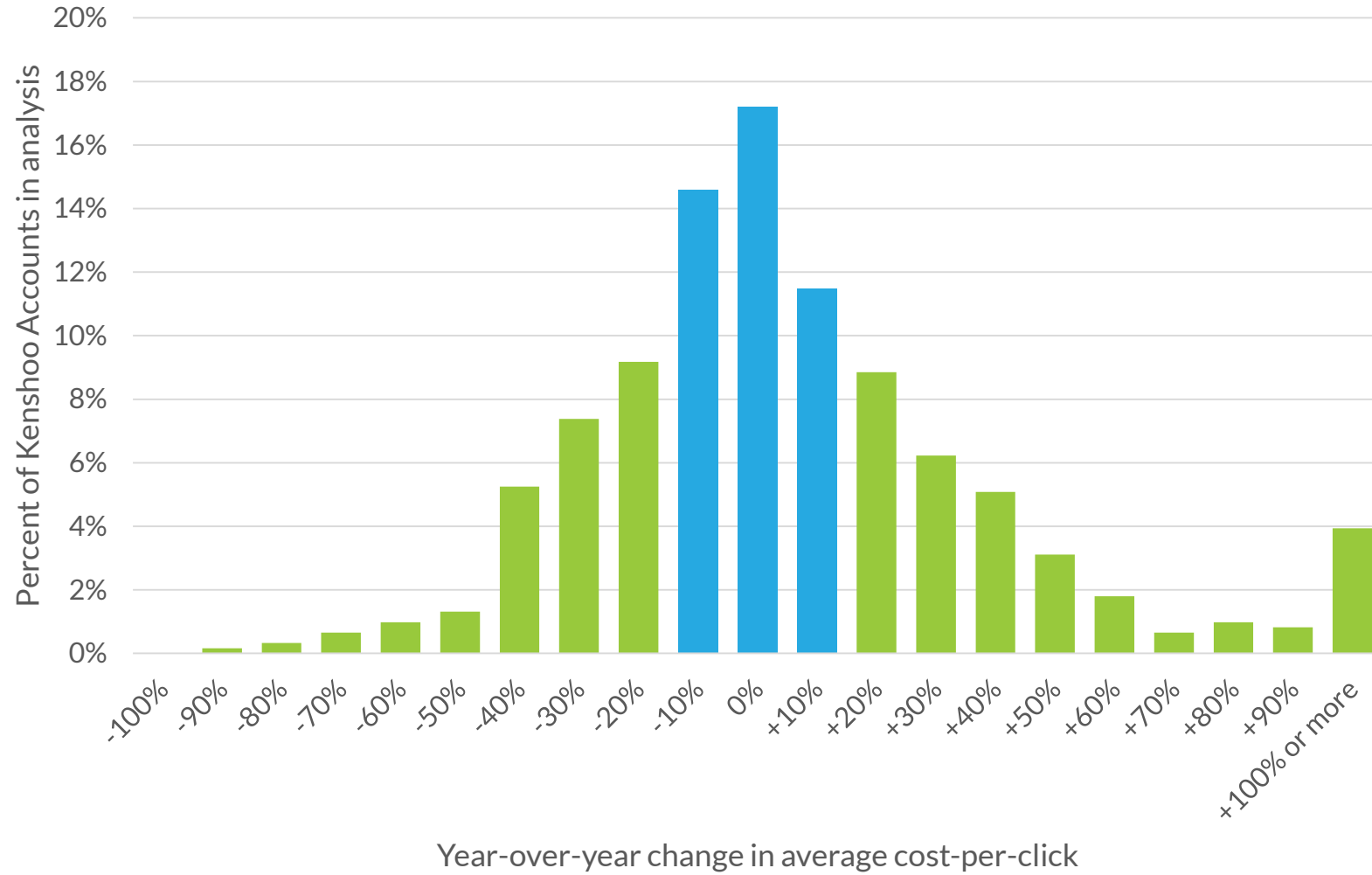


Focus on: CPC changes by account

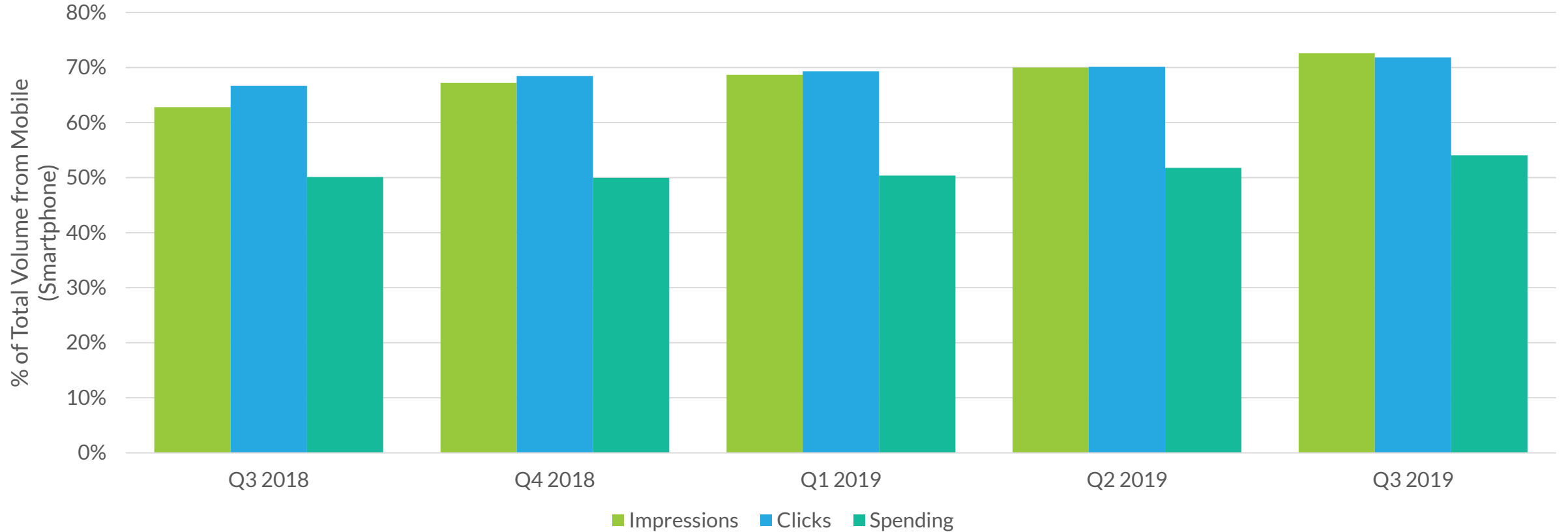
Most individual advertisers saw CPC fluctuations between -10% and 10% compared to Q3 of last year

31% of advertisers saw CPC increase by 20% or more, while 25% saw a decrease of 20% or more

The median CPC change across all accounts in the sample was +1%



Focus On: Mobile Search



Mobile share broke 70% for both impressions and clicks in Q3, while spend comprised 54% of all search spending on the quarter

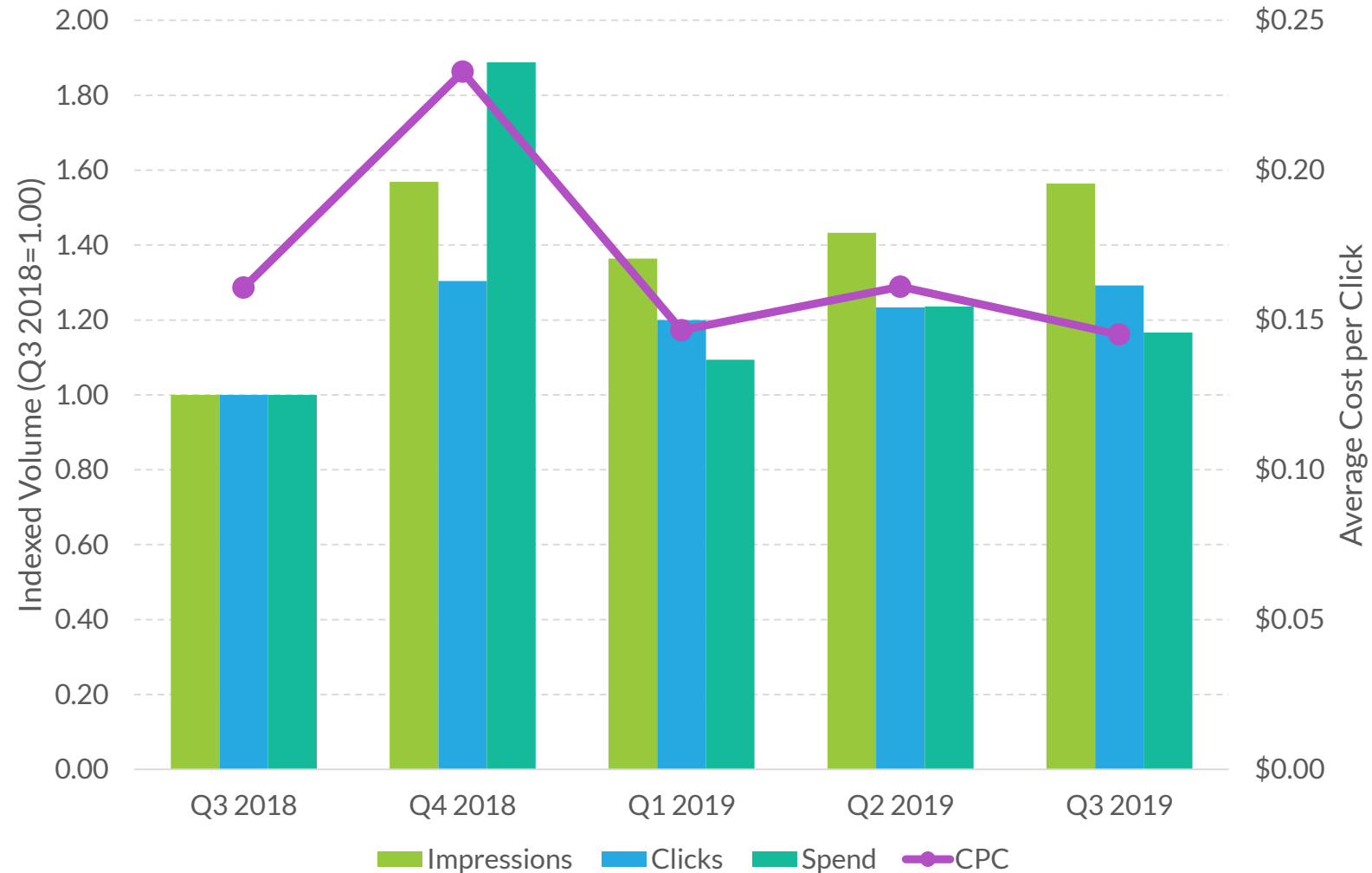


Focus On: Shopping Campaigns

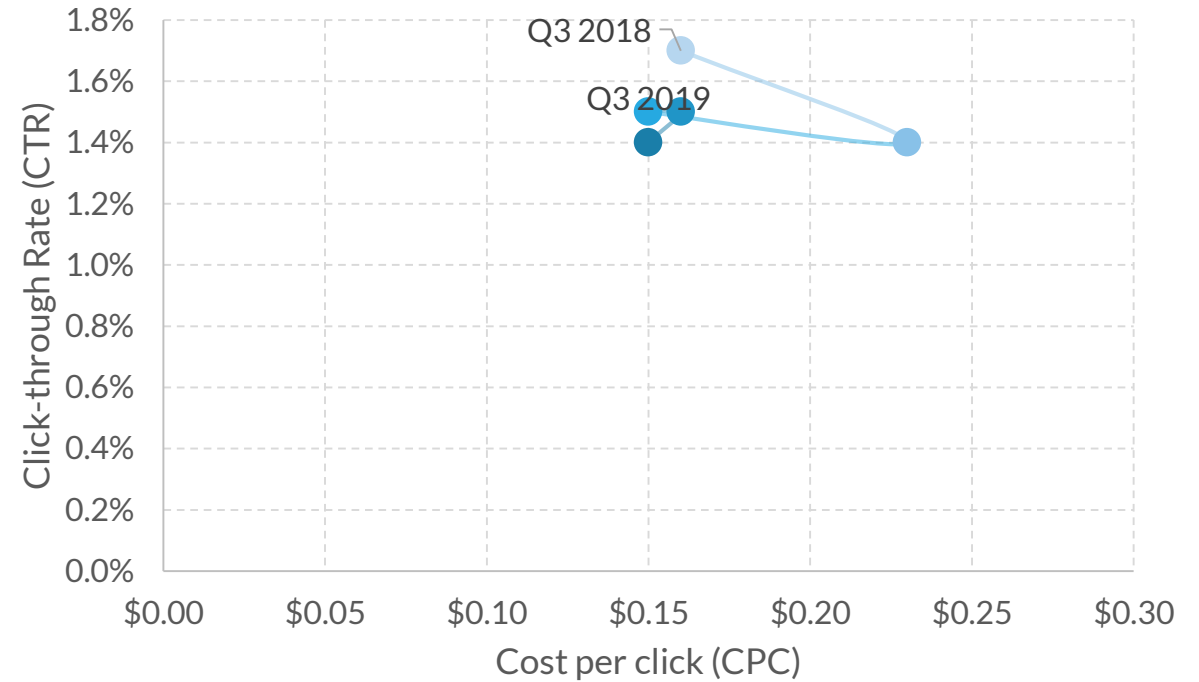
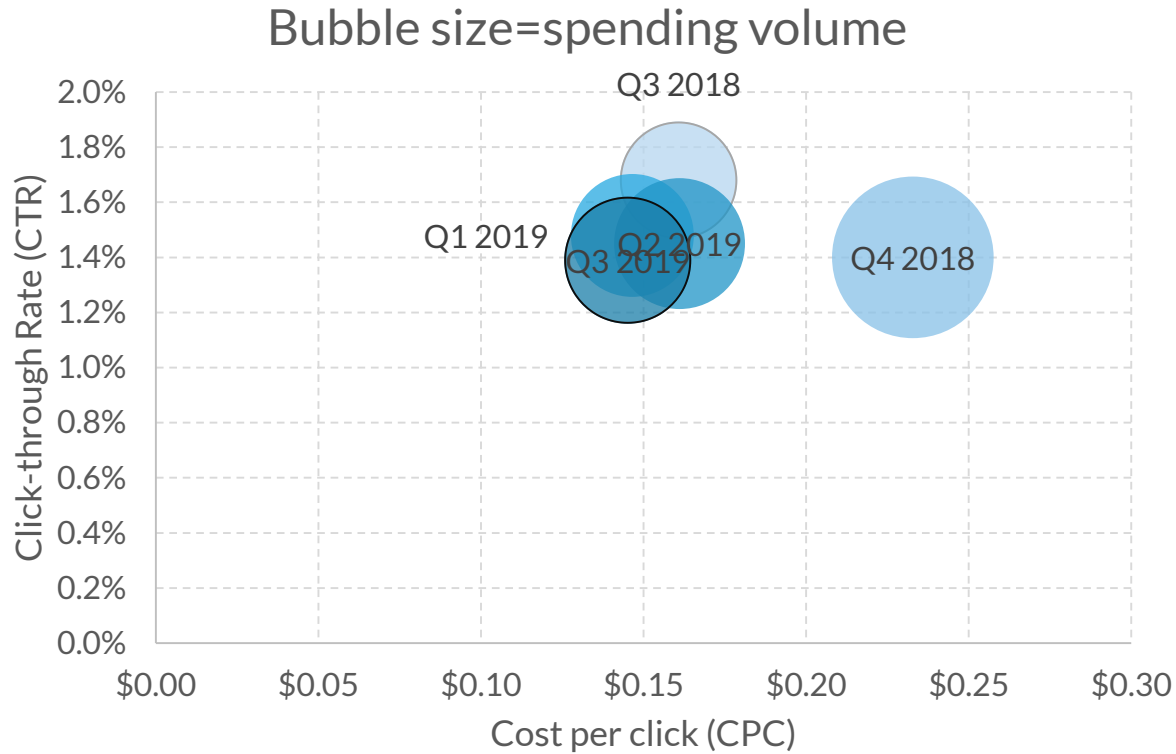
Impressions continue to grow at a steady pace for search shopping campaigns

Clicks grew roughly half as fast as impressions compared to last quarter and last year

The price of a click dropped QOQ and YOY, resulting in a 6% drop in shopping campaign spend versus Q2



Focus On: Shopping Campaigns



Tracing the path of search shopping campaigns accentuates that variations in CPC are very small, pointing to click volume as a key component to the slowdown in spend

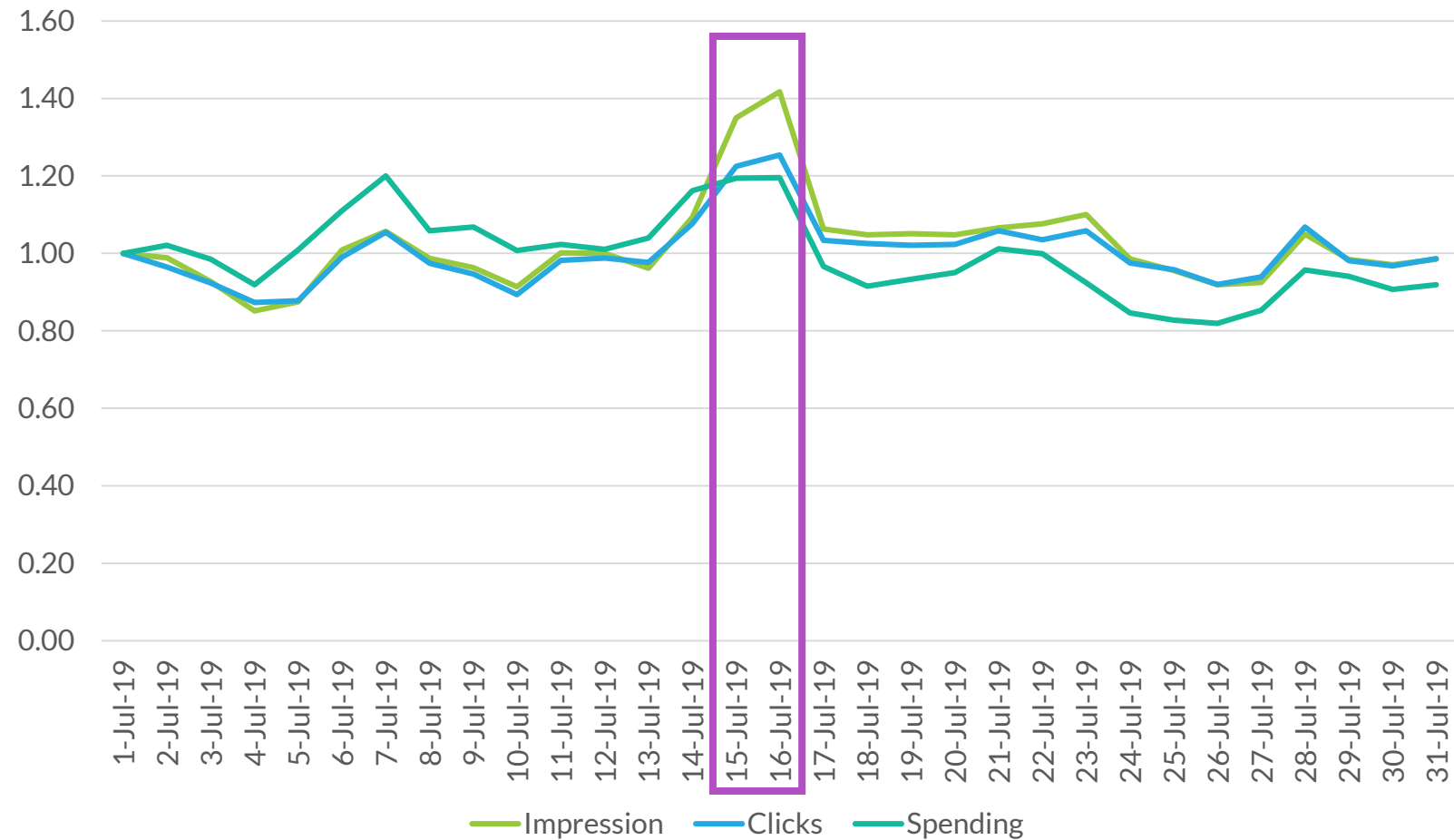


Focus On: Shopping Campaigns

Could shopping campaign slowdown be due to highly-publicized competition from other channels?

This seems unlikely, as search shopping campaigns in our analysis actually saw increases volume during targeted July promotions in the Ecommerce channel.

July Search Shopping Campaign Spending by Day



Focus On: Branded Keywords

Predictably, branded keyword search clicks have a lower share for ecommerce, where they have to compete with shopping campaign clicks

Finance and Travel still show greater penetration for search clicks relative to other verticals, although Finance clicks typically get crowded out in the run-up to tax season

Share of Q3 Search Clicks by Industry



Search Highlights

Search spending grew 7% over the third quarter of last year

Shopping campaigns were a driver of overall search growth, but with somewhat less impact than the dramatic increases seen across these campaigns in previous quarters

The largest segment of search ads in Q3 were mobile keywords at 42%, and these ads saw a 13% increase in investment year-over-year (YOY)



Marketer Insight: Search

View Q3 as a prelude to the holiday season, particularly if you are in retail

Even more broadly, marketers should start to see the results of optimization efforts from earlier in the year and then translate those into the “regular” parts of your program

Be prepared for increased ad volume and ad prices in the Q4 holiday season

To learn even more about what’s happening in this channel, read the Kenshoo complimentary white paper, *The State of Paid Search: How Marketers Are Managing Their Programs*.

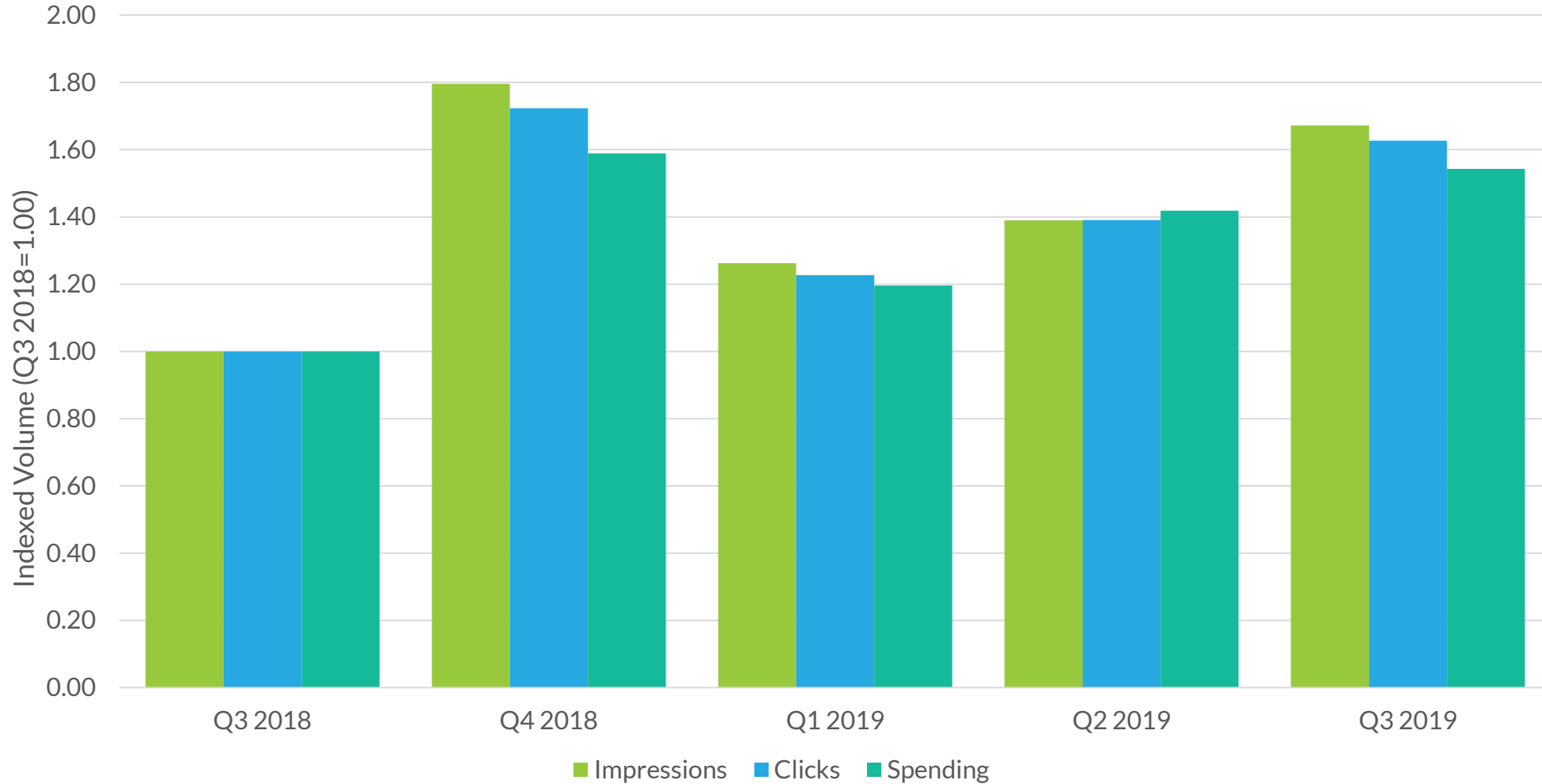




Emerging Channels

Q3 2019

Ecommerce Channel Advertising Trends

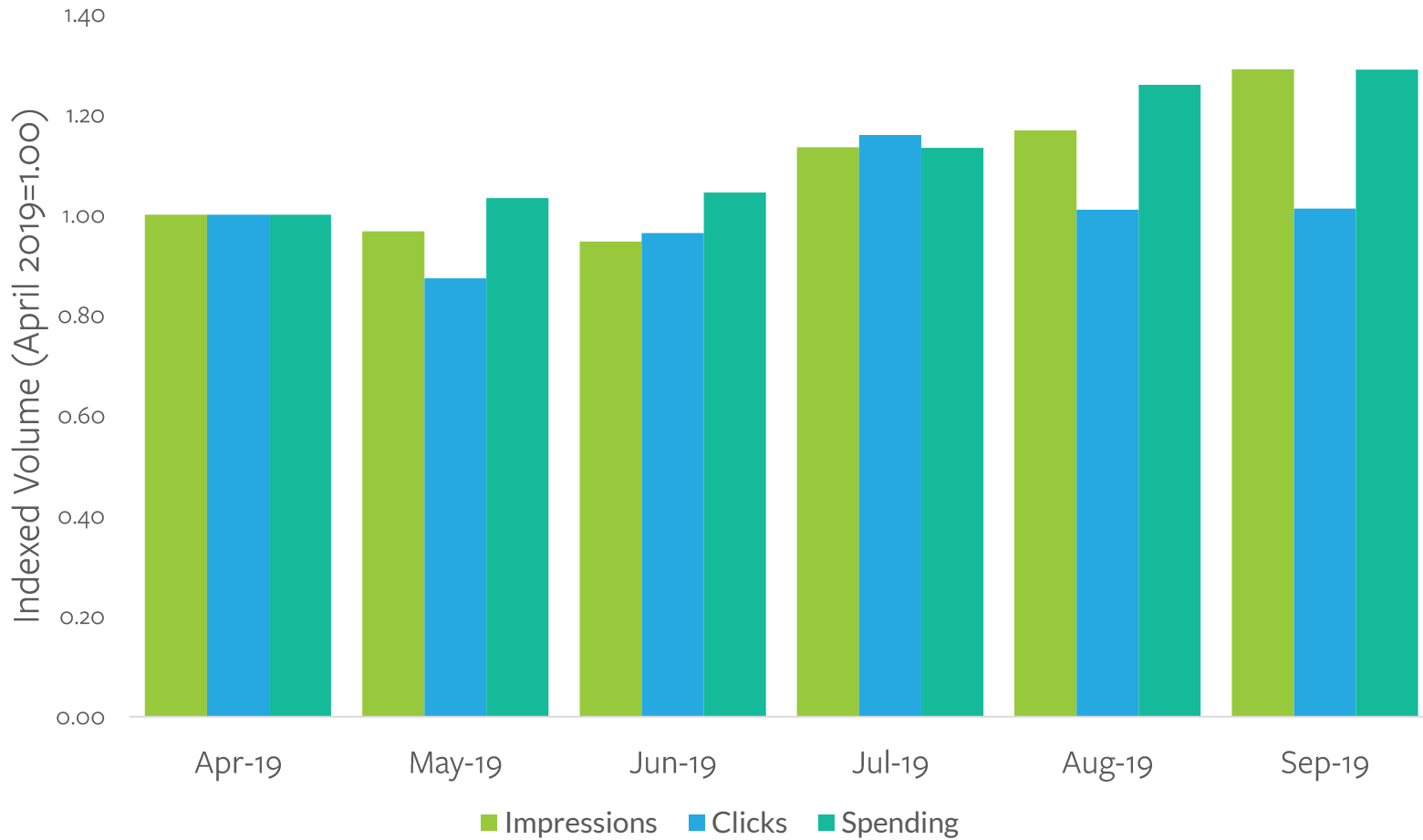


QoQ	YoY
Impressions	
+20%	+67%
Clicks	
+17%	+63%
Spending	
+9%	+54%

Pinterest Trends (last six months)

Over the last six months, total monthly Pinterest spending has increased nearly 30%, as have total impressions

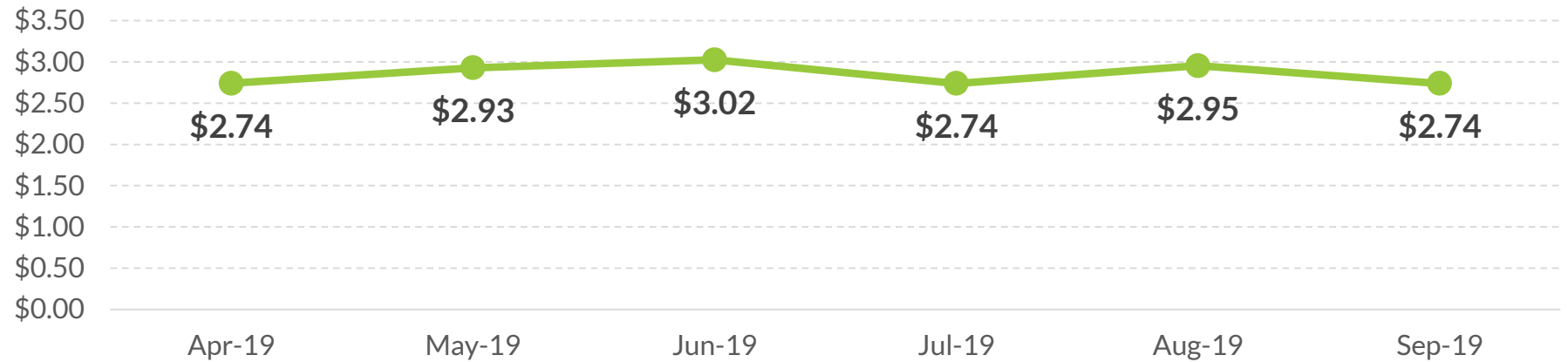
All Pinterest Advertisers



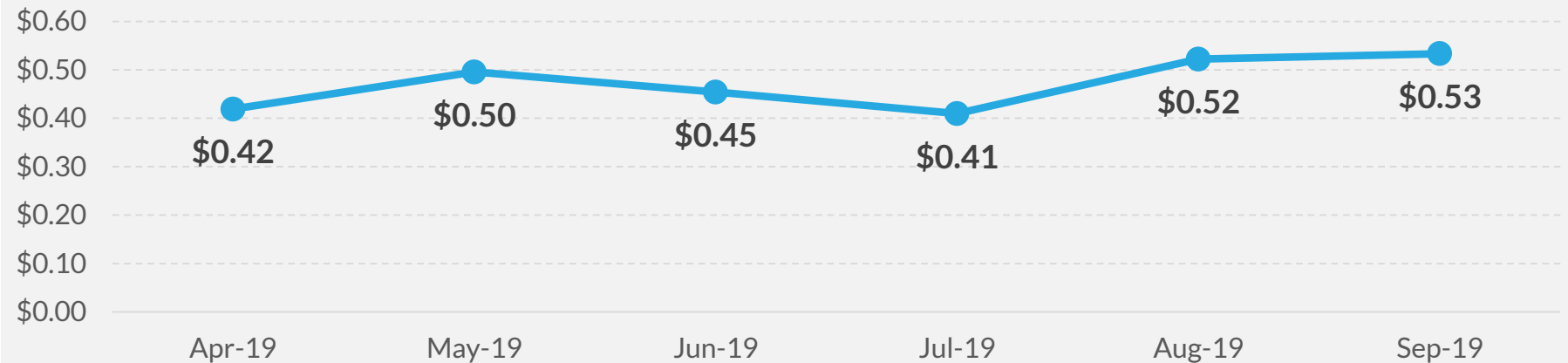
Pinterest Trends (last six months)

CPM for Pinterest ads is still generally less than Facebook

Average Cost per Thousand Impressions (CPM)



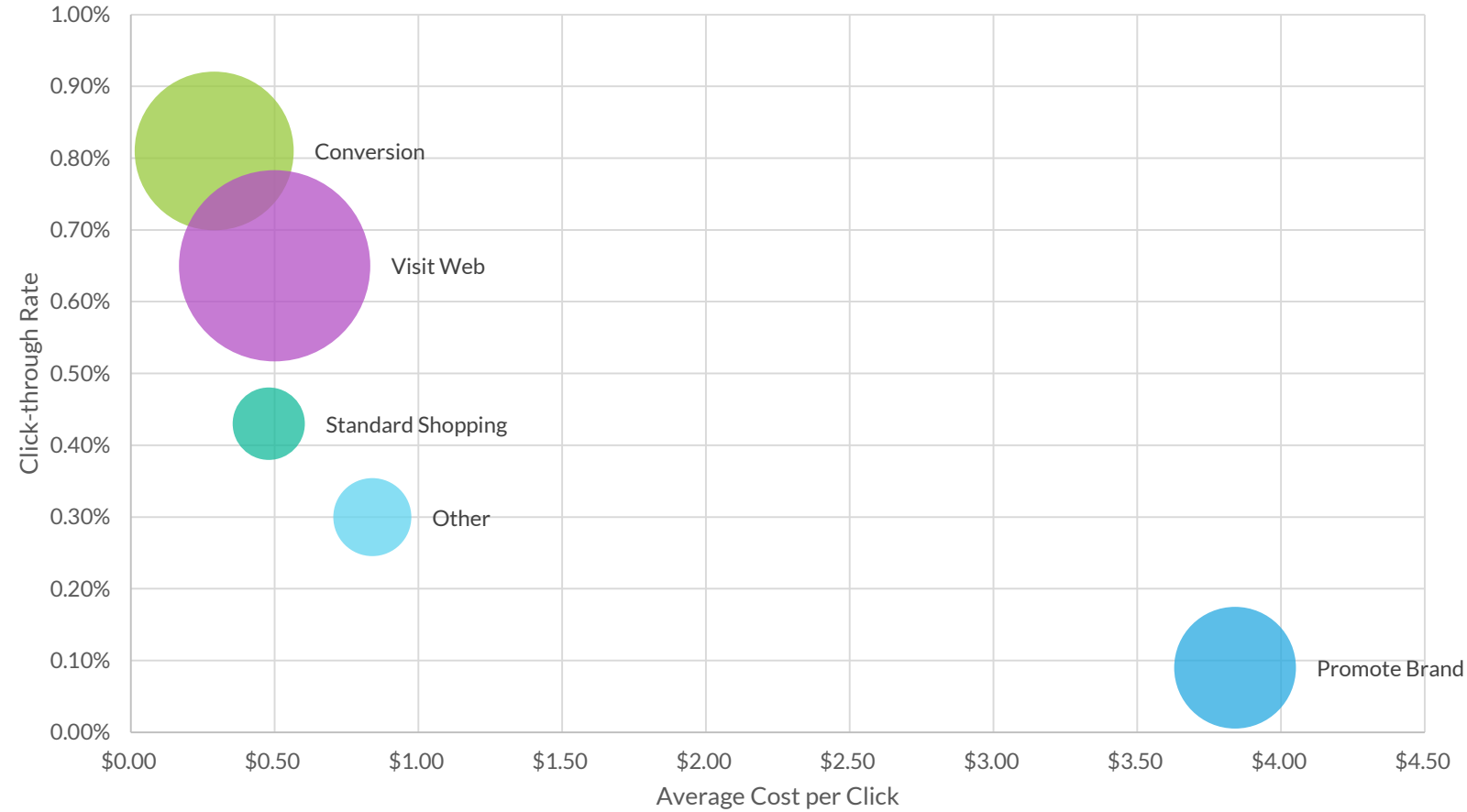
Average Cost per Click (CPC)



Pinterest breakdown by Campaign Goal

Branding as a campaign goal will be less reliant on clicks by definition, so lower CTR and higher CPC is not surprising

Pinterest by Campaign Goal
Q3 2019, All Advertisers



Marketer Insight: Emerging Channels

Ecommerce Channel Advertising is still fairly new for advertisers

- We've seen similar growth profiles in the early days of the other fundamental digital channels, particularly paid search and social advertising

Pinterest performance depends on campaign objectives, so be careful not to force-fit KPIs from other channels and tactics

For marketers looking to learn how to maximize the ECA opportunity, check out the complimentary Kenshoo report *To Win At Amazon Advertising, You Must Think Like Amazon.*





Holiday Preview

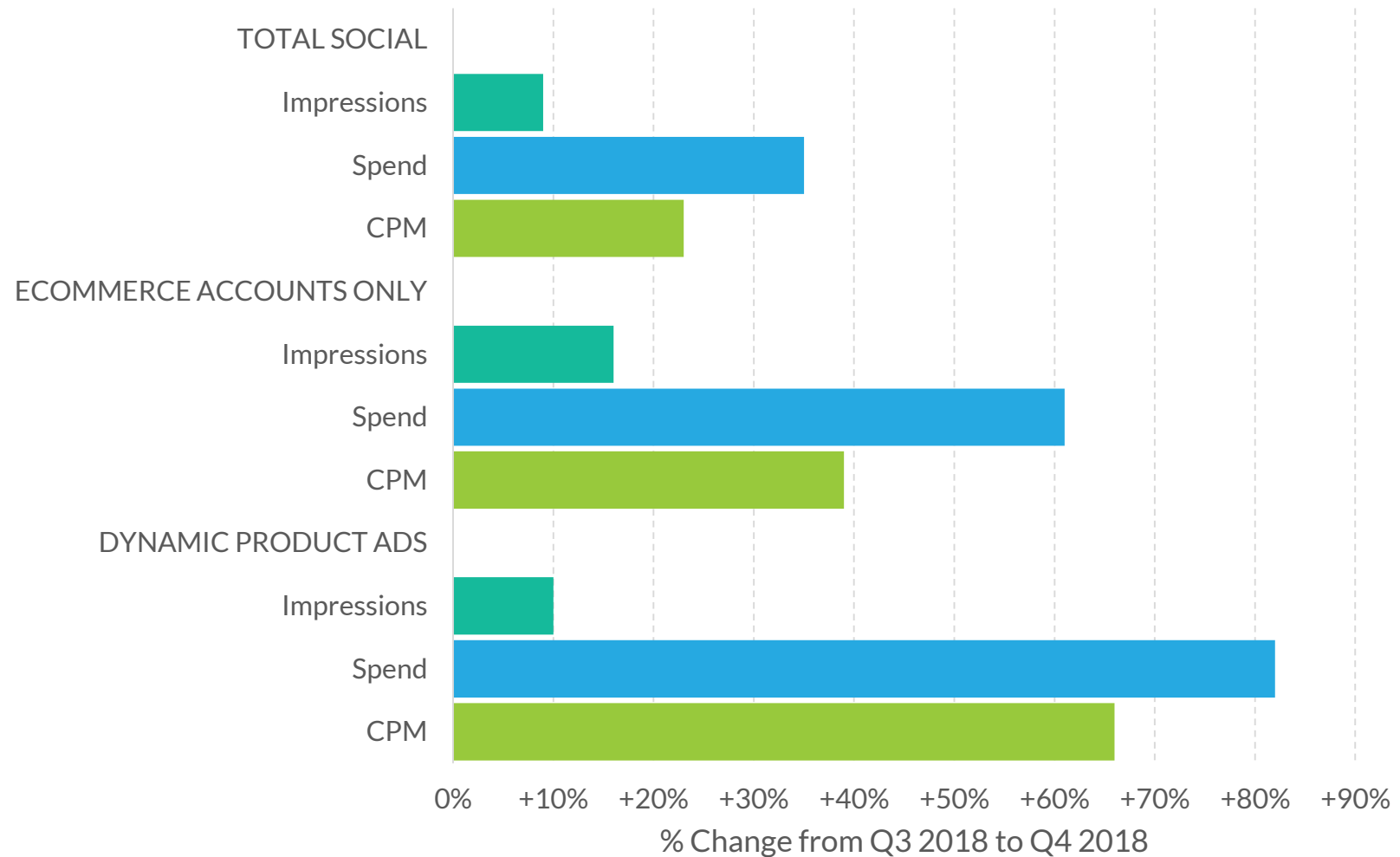
All Channels

Q3 2019

Holiday 2018 Review: Social

The increase in shopping campaign spending in Q4 2017 increased by **72%** compared to Q3 based on the Q3 2018 QTR data

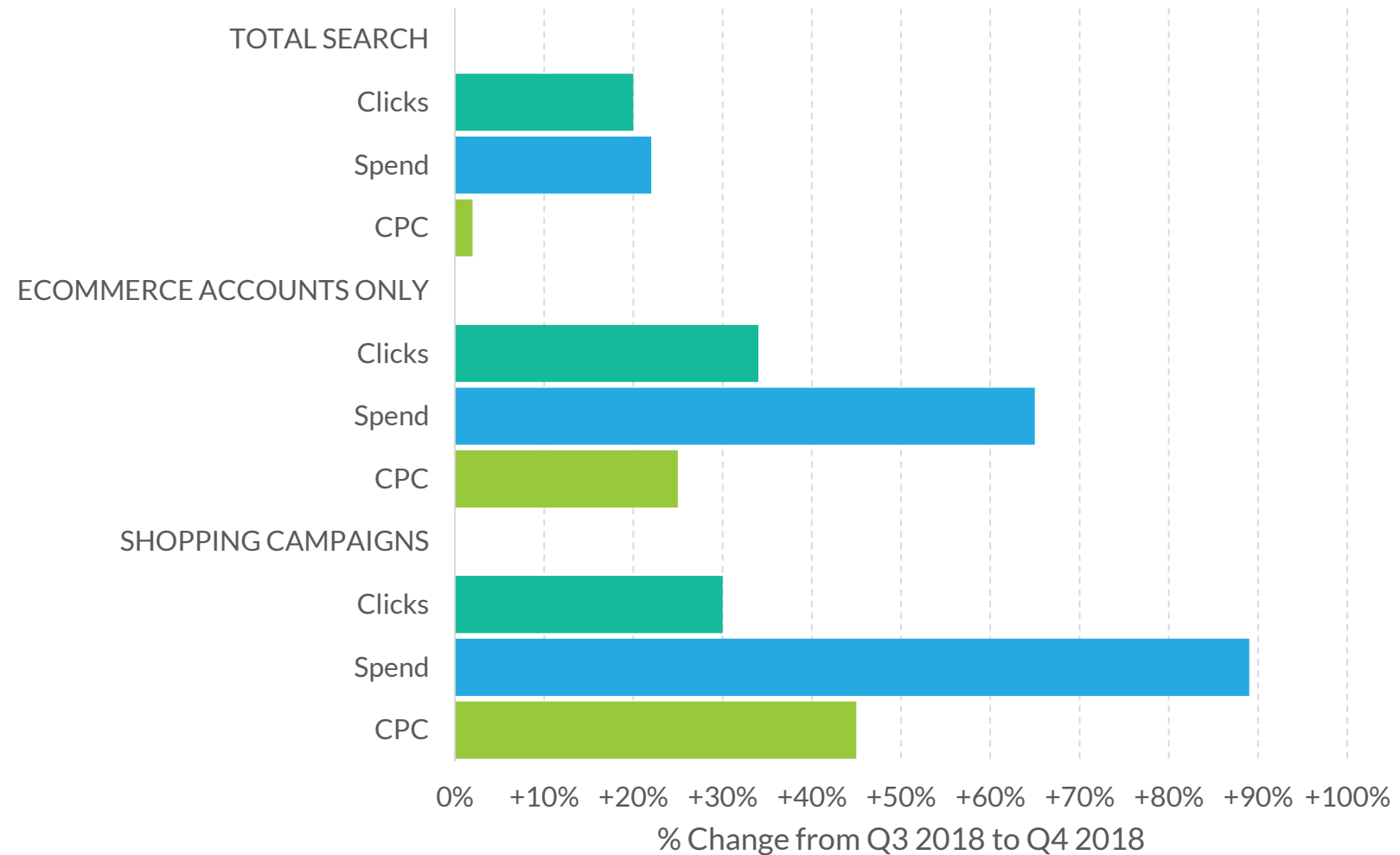
Share of spending this ad type across ecommerce accounts reached **39%** during Q4 last year, up from **34%** the previous quarter



Holiday 2018 Review: Search

The increase in shopping campaign spending in Q4 2017 increased by **86%** compared to Q3 based on the Q3 2018 QTR data

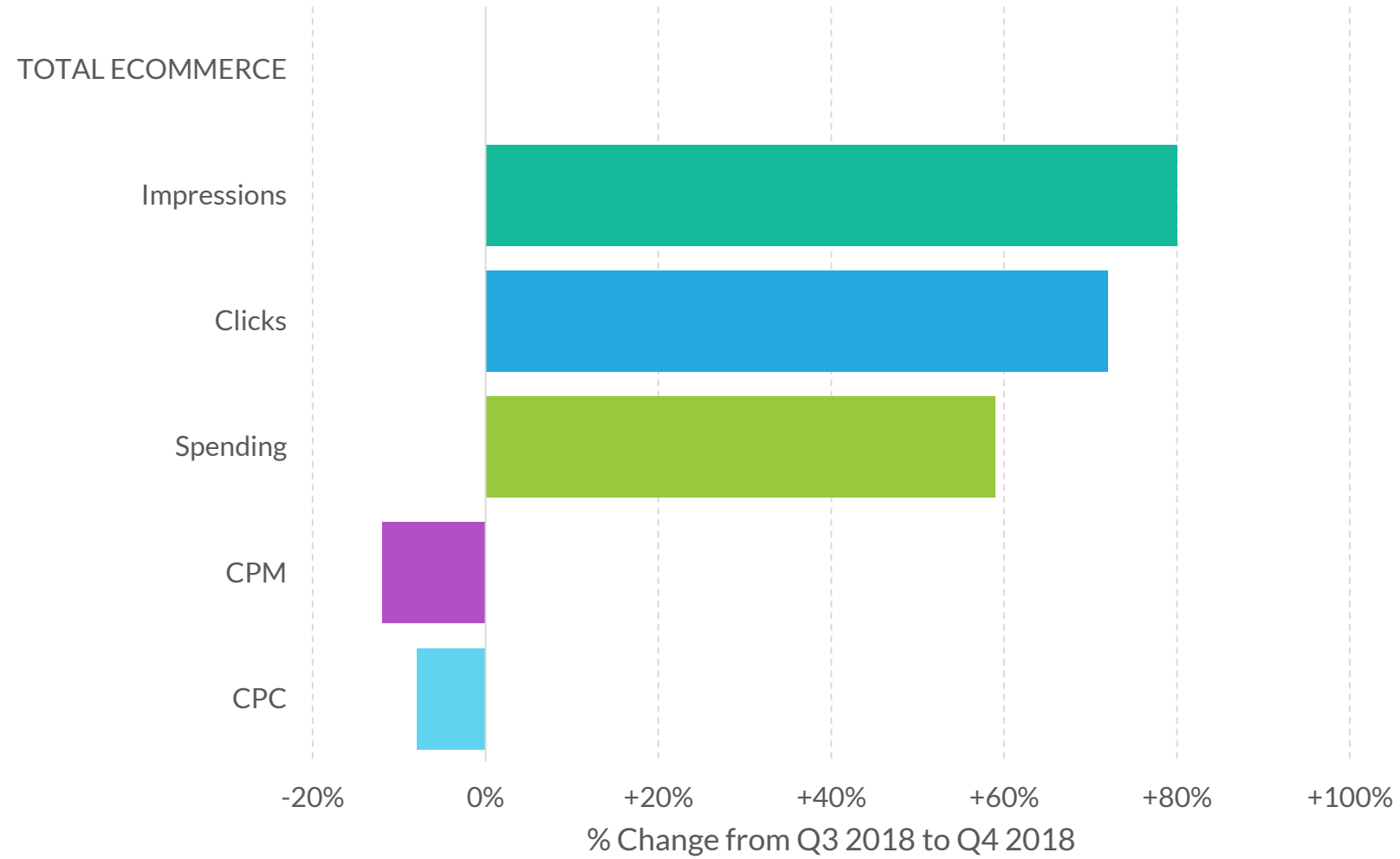
Share of this ad type among ecommerce accounts reached **42%** during Q4 last year, up from **37%** the previous quarter



Holiday 2018 Review: Ecommerce Channel

Q4 2018 increases for Ecommerce Channel Ads were driven by volume, rather than the combination of volume and pricing seen in other channels

This price inelasticity showed to be the dominant case for targeted summer promotions, but could change as the advertising channel matures



Summing Up

Paid search spend growth was up with a 7% year-over-year increase in advertiser investment in Q3 2019

- The majority of budgets were spent on mobile devices as marketers continue to follow consumer activity migrating from desktops

Social advertising grew 32% year-over-year in Q3 2019. However, even with the increases in spending, CPMs were stable.

- That's a good sign for brands and a green light to keep spending more in this channel without worrying about price inflation.

Ecommerce channel advertising (ECA) did what was expected of it in Q3 2019—to grow, grow, grow to the tune of a 54% increase year-over-year.

- This relatively nascent channel is still only just getting started.





In The News



Facebook Campaign Budget Optimization

What it means and why it matters:

- Facebook will be switching all campaigns to CBO at some point in the future (but not “in less than 30 days” from this article)
- Initial analysis of Kenshoo data shows this may be a factor in lower CPMs for advertisers
- Increasing campaign efficiency may lead to a “virtuous cycle” of ad investment on the platform



HOME -> Consumer Marketing -> Acquisition -> Facebook Campaign Budget Optimization: What Marketers Need to Know

FACEBOOK CAMPAIGN BUDGET OPTIMIZATION: WHAT MARKETERS NEED TO KNOW

Posted on August 7, 2019 by Brian Bowman

In less than 30 days, Facebook will shift all advertising campaigns [over to campaign budget optimization](#) (CBO) for advertisers using AdsManager. For advertisers using Facebook's API (like [AdRules](#)) you have until September 2020 before the switch is mandatory.

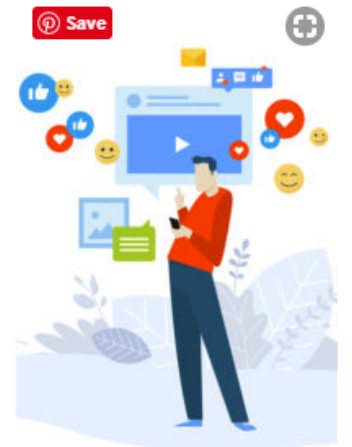
If you do any advertising on Facebook, you will be affected by this change. It will apply to both new and existing ad campaigns.

If you don't want a rude awakening on Sept. 1 when CBO activates in AdsManager and your Facebook campaigns start behaving very differently, you need to start testing Campaign Budget Optimization now.

While nobody likes mandatory, sudden changes, this is not all doom and gloom. You will have to give up some control over your campaigns after Sept. 1, but with there are elements of CBO that can work to your advantage.

Less to manage: If you spend hours adjusting bids every week, or if you pay someone else to adjust bids every week, much of that bid optimization work will be over.

When CBO is activated in AdsManager, Facebook automatically shifts ad budget to whichever ad set in a campaign is most effective. You get to control the definition of what “effective” means by specifying a goal for each campaign. Goals that are fairly late in your sales funnel, like a purchase or a download, tend to work



Search shifts to “prominence metrics”

DigitalNewsDaily

COMMENTARY

How Google Paid Search Will Shift Focus To Insight And Improvement

by Russell Scott , Op-Ed Contributor, September 24, 2019

Focusing on top impression shares will encourage marketers to excel and serve their customers better.

Google is shifting the success metrics metric. Search marketers will follow.

There may also be the risk of cost-per-click inflation. Top-position metrics are more accurate and more revealing as to where a company's ads are appearing, and this could prove a revelation to many marketers. The result could be that those seeking more top spots are putting extra budget into paid search and raising their maximum bids.

appeared in the top positions, above organic results, as well as the amount of times it has appeared in the first position.

This metric is far more useful to marketers. The average position metric was useful in some circumstances, but not all. Discovering that an ad appeared, say, on average in the second position could have meant it still ended up below organic results or even on the second page of a search result.

What it Means and Why it Matters:

- This is an opinion piece, but it does raise some good points on the switch from average position to the new metrics.
- Specifically, it could drive overall CPC higher as marketers figure out their optimal coverage strategy

Google and app advertisers

What it means and why it matters:

- Facebook has historically been *the* key channel for app advertisers
- Playing field is expanding rapidly with Google growth, Apple Search Ads, Snapchat all playing a role

Google is driving more app downloads than Facebook

By Anthony Spadafora 19 days ago Internet

Search giant is now the largest player in the app marketing space



(Image credit: Future)

Adverts on Google are causing users to download more apps than those on Facebook for the first time.

According to a new report from marketing analytics firm Appsflyer, Google has increased its share of the app installation sector by eight fold during the last five years and the search giant is now the largest player in the app marketing space.

Google endorses incrementality

Overheard at Advertising Week

We're swimming in the sea of Advertising Week in NYC this week, along with thousands of marketers. Here are some of the quotes that caught our attention.

"The reality is it [programmatic] is not fully automated ...The reality is it's very complex, still.... And the aperture is broader than where we want [targeting] to go." – Marla Kaplowitz, President & CEO of the 4As, on the promise of programmatic in 2019.

"Voice is going to completely transform how we work with technology and society ... I'm really bullish on how voice is going to change in the next 10 years." – Luis di Como, EVP of Global Media at Unilever.

"Not a billion, but not half of that either." – Blake Chandlee, VP TikTok, when asked about the number of users on the platform.

"I think the future of marketing is to understand incrementality really well." – Allan Thygesen, President, Americas, Google.

"Here is a platform [TikTok] that has awareness that is very difficult to achieve in other places. And I think that in itself is important." – Gary Vaynerchuk, VaynerMedia.

What it Means and Why it Matters:

- Incrementality is gaining in prominence as a way to measure impact of incremental changes to marketing programs
- By focusing on test vs control methodologies, it avoids the pitfalls of multi-touch attribution and the evolving minefield of data privacy
- Learn more about the Kenshoo approach to this topic at <https://kenshoo.com/impact-navigator/>

New Facebook Features

What it means and why it matters:

- "Facebook estimates friction in online checkout processes will cost U.S. businesses \$213 billion this year."
- This shows, at the very least, that FB is well aware of some of the obstacles to easier shopping experience across their platform

Facebook testing two new ad features: in-app checkout for Facebook ads, new ad unit for Instagram

A small set of advertisers have access to the the in-app checkout feature for Facebook News Feed ads.

[Amy Gesenhues](#) on September 9, 2019 at 10:16 am

Facebook announced Monday it is testing two new ad features: an in-app checkout experience for dynamic ads running in the Facebook News Feed and the ability to turn [organic shopping posts on Instagram into an ad](#) via Ads Manager.

"These new ads are based on the ways people currently like to discover and purchase products on Facebook and Instagram so the ad design and experience will be familiar," said a Facebook spokesperson.

In-app checkout for Facebook News Feed ads. Facebook is testing a new native checkout feature for dynamic ads, making it possible for users to discover a product via a dynamic ad and purchase the product from the ad without ever leaving the Facebook app.

Snapchat is testing product ads

SOCIAL PRO DAILY

Snapchat Begins Testing Dynamic Ads That Work Off Brands' Product Catalogs

Several design templates are available for the format

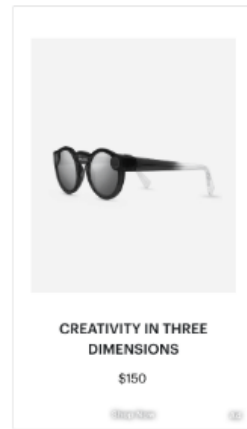
By David Cohen | 3 hours ago

Snap Ad Template



Template Fields

- Title and Price
 Custom



Made-for-mobile templates and designs will enable brands to find visually appealing ways to showcase their products
Snapchat

Snapchat will conduct an open beta-test of dynamic ads that enable brands to automatically create ads in real-time based on their own product catalogs, which can contain hundreds of thousands of items.

What it Means and Why it Matters:

- Snapchat has been more effective as a branding channel than a direct response channel historically (with the exception of app install ads)
- Similar challenges faced Facebook and Stories ads, so it's logical that Snap follow that same path towards DR that has been established throughout 2019

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.

July 2018 through September 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



#KenshooHolidayTips

31 days. 31 gifts in the form of best practices, expert advice, industry benchmarks and of course, holiday survival tips, from our digital advertising experts.



Kenshoo Holiday Tips: Day 1



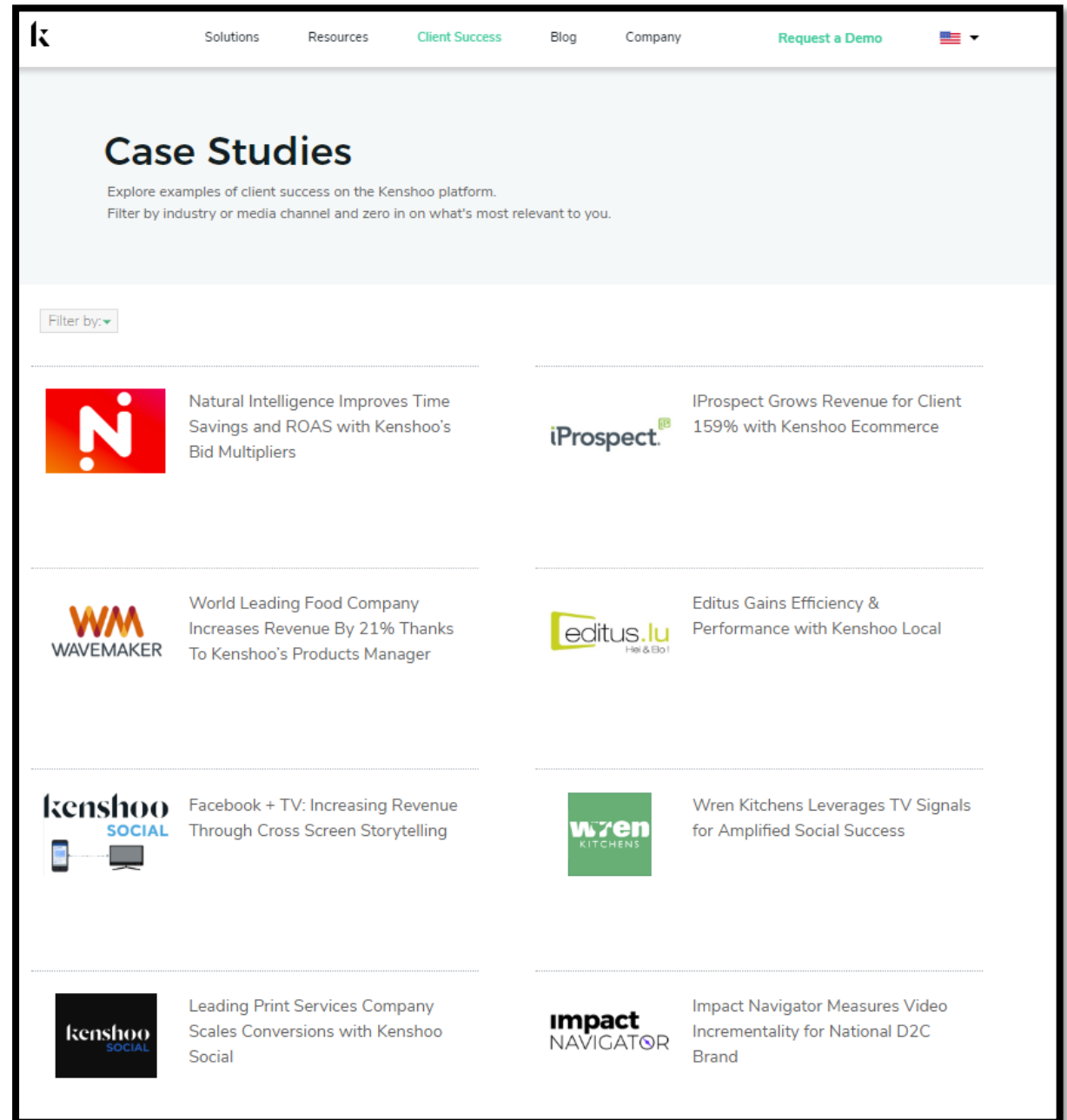
Make sure you get plenty of sleep the night before Thanksgiving. The Thanksgiving holiday was the fastest growing day of the "Cyber 5" last year. If you're waiting for Black Friday, you're going to miss out!

[READ MORE IN OUR BLOG](#)

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



The screenshot shows the Kenshoo website's Case Studies page. The navigation bar includes links for Solutions, Resources, Client Success, Blog, Company, and a Request a Demo button. The main heading is 'Case Studies' with a subtext: 'Explore examples of client success on the Kenshoo platform. Filter by industry or media channel and zero in on what's most relevant to you.' Below this is a 'Filter by:' dropdown menu. The page displays eight case study cards in a two-column grid:

- Natural Intelligence**: Improves Time Savings and ROAS with Kenshoo's Bid Multipliers.
- iProspect**: Grows Revenue for Client 159% with Kenshoo Ecommerce.
- WAVEMAKER**: World Leading Food Company Increases Revenue By 21% Thanks To Kenshoo's Products Manager.
- editus.lu**: Gains Efficiency & Performance with Kenshoo Local.
- kenshoo SOCIAL**: Facebook + TV: Increasing Revenue Through Cross Screen Storytelling.
- wren KITCHENS**: Leverages TV Signals for Amplified Social Success.
- kenshoo SOCIAL**: Leading Print Services Company Scales Conversions with Kenshoo Social.
- impact NAVIGATOR**: Measures Video Incrementality for National D2C Brand.



Marketing Research and Analysis @ Kenshoo

Quarterly Trends Hub **NEW!**

kenshoo.com/digital-trends-research

View the current infographic, long-form report and highlights, along with previous quarters, all in one place

Other insights are posted regularly to

kenshoo.com/blog

The screenshot shows the Kenshoo website's 'Digital Marketing Quarterly Trends Report' page. The navigation bar includes 'Solutions', 'Resources', 'Client Success', 'Blog', 'Company', and a 'REQUEST A DEMO' button. The main content area features a large infographic with a 3D bar chart and a pie chart showing growth percentages: 14%, 7%, and 6%. Below the infographic, there is a 'VIEW THE TRENDS' button and a section titled 'Key Takeaways from Q1 2019' with two highlighted insights.

DIGITAL MARKETING QUARTERLY TRENDS REPORT

Kenshoo's Quarterly Trends Infographic delivers accurate market insights, trends and predictive analysis

[VIEW THE TRENDS](#)

Key Takeaways from Q1 2019

Here are some of the key storylines from Q1 2019's advertising data.

- Paid Search is still driving forward**
Still the biggest channel in digital advertising, SEM continues to grow year-over-year (YoY) in spend (up 11%), clicks (up 25%), and impressions (up 35%).
- Social is maturing and becoming a more diverse opportunity**
Social advertising spend was up 27% YoY in Q1 2019. Marketers continue to embrace the channel's visually engaging ad formats and have become less dependent on the once-standard post link ads. A key part of this transformation is video ads, which garnered 44% of all social advertising spending in Q1.



THANK YOU!