



## Press Release

**Date:**  
30.04.07

**London Office:** 55 New Oxford Street London WC1A 1BS  
**Cheshire Office:** 700 Mandarin Court Warrington WA1 1GG

### Subject:

**How US search marketing industry missed out on nearly \$11 billion in 2006**

### **New White Paper examines transatlantic 'search gap'; calls on search engines to do more UK-based development**

**The search industry in the US may have missed out on nearly \$11 billion in 2006, according to Latitude Group's chief executive officer Dylan Thwaites.**

The figure represents how much more US search engines would have earned if paid search penetration in the US was at UK levels.

Writing in a new Latitude White Paper\* that explores the reasons behind the "search gap" between the US and UK search marketing industries, he says: "It is rare that the UK is a global market leader, but when this occurs, it almost without fail has an edge on service, creativity or innovation."

A greater reliance on in-house search skills is identified as one of the main reasons for the relative under-development of the US search market. The paper says: "The US has a much higher proportion of in-house search marketers, who tend to be less innovative and do not operate search as effectively as search agencies, slowing the flow of funds from other media."

Other key findings of the White Paper are:

- Search engine commissions have had a firestarter effect on search penetration in the UK;
- US search agencies have reacted slowly to the paid search opportunity;
- Cost-per-click prices are marginally higher in the UK, but there is no evidence to show that the engines are abusing their market dominance.

Citing data produced continuously since 1997 by the Internet Advertising Bureau and PricewaterhouseCoopers (IAB/PwC), Mr Thwaites writes: "In 2006 American companies spent \$6.7 billion on search marketing. The IAB/PwC figures show that search marketing spend in the US is 2.5 per cent of all advertising spend (40% of online which in turn is 6.3% of total advertising spend)."

He continues: "IAB/PwC figures released last month for the UK show that 11.4 per cent of all marketing spend is online, with search marketing at 57.8 per cent of all online. Therefore search marketing accounts for 6.6 per cent of all advertising spend. If the US market had achieved the penetration of the UK market, advertising budgets would almost triple."



## Press Release Continued

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According to Mr Thwaites, one of the chief causes of the "search gap" between the UK and US is conservatism within the US advertising industry: "A whole new sector has failed to thrive as effectively as it should have done, because the advertising industry in the US has adapted more slowly than in the UK," he says.

Another barrier in the US has been what Mr Thwaites calls 'organic inertia'. He writes: "When paid search was developed in 2000 there was no fanfare. However, there was one set of people who detested the concept. Organic search optimisers had spent up to five years unpicking the search algorithms of Alta Vista, Lycos, Hotbot and others. Then, overnight, they were knocked off top position by some techno-illiterate paying one cent to place his website above the organic master. Instead of grabbing this amazing new tool and adding it to the armoury, most organic optimisers turned their back on the devil."

With the UK market being so much more mature and competitive than the US, Mr Thwaites urges US-based search engines such as Ask to do more research and development in Britain. "There is no doubt that the engines would get a much more positive and synergistic response if testing was UK-based," he says.

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\*'An analysis of the \$11bn revenue shortfall in the US search marketing industry', April 2007

### **About Latitude**

Headquartered in London, with offices in Warrington, Cheshire, and more than 100 employees, Latitude's unrivalled pay-per-click and search engine optimisation expertise enables its clients to obtain consistently superior returns from their investment in search engine marketing. In 2007 the agency won the Netimperative 'Search Campaign of the Year' award; it also won a Media Momentum Award as Britain's fastest growing digital media company in 2006 (shortlisted again in 2007) and its Chief Executive Officer, Dylan Thwaites, was chosen as the 2006 Ernst & Young Technology & Communications Entrepreneur of the Year.

### **Enquiries**

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