



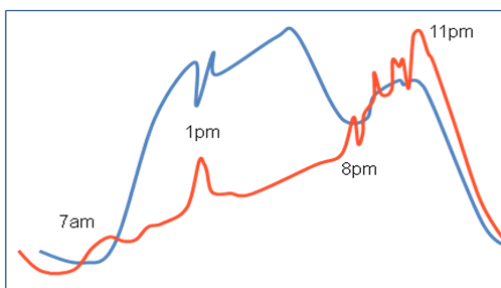
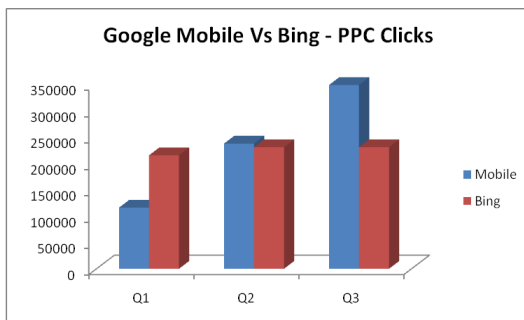
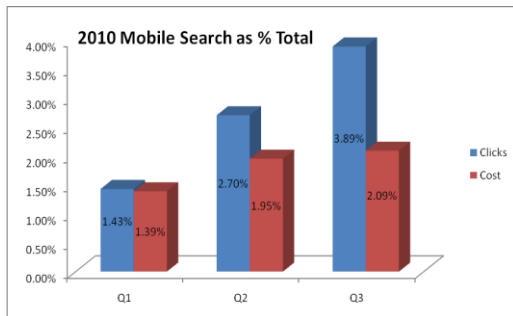
LATITUDE
performance led digital marketing

Q3 Mobile PPC Report

October, 2010

Contact: Duncan Fisher - duncan.fisher@latitudegroup.com

Key data



— PC searches — Mobile searches

Executive Summary

Latitude Findings

- **Mobile Search on Google Surpasses Bing for PPC Advertising:** Growing at an average of 76% per quarter, as predicted, UK mobile search has surged past Bing and has Yahoo in its sight.
- **Arbitrage Opportunity versus PC Search:** Costs-per-click (CPCs) are an average of 27% lower on mobile. The difference varies by sector, but brands can adapt campaigns and their sites to take advantage.
- **Inventory outpacing ad spend:** Costs-per-click for PPC on mobile are falling currently as inventory is rising.
- **Specialist approach yields stronger results:** Click through rates (CTRs) benefit from mobile-specific campaigns emphasising mobile style adcopy & prominent position on key search terms. Search patterns throughout the day differ by sector
- **Evolution:** Google stepping up the game on mobile with enhanced ad types
- **Day-parting:** Search patterns throughout the day and their correlation to PC searches differ by sector

The Q3 report reinforces the shift in the search landscape—consumers are searching on mobile and savvy advertisers are driving high-value incremental business on phones.

Latitude Q3 Quickstats

- 11 million Smartphones users in the UK
- Clicks on Mobile at 4% of total PPC volume on Google (up 46% QoQ)
- Spend on Mobile at 2% of total PPC volume on Google (up 3% QoQ)
- CTR at 1.32 % for mobile vs 1.1% for PCs on Google

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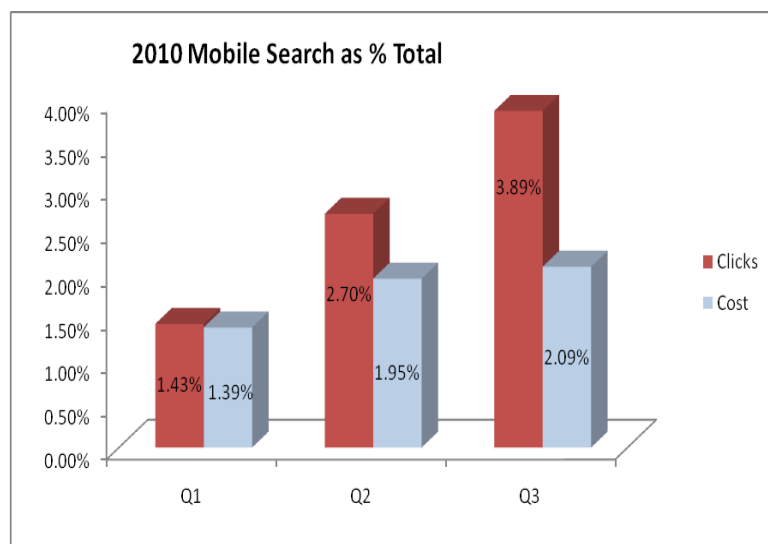
Quarter 3 2010 – does the mobile search trend continue?

Three quarters on 2010 has irrefutably proven itself as the breakout year for mobile search marketing. The growth rates quarter on quarter would be impressive if they are year-on-year and saturation does not seem imminent. The landscape is shifting as well, as market share for Google mobile PPC activity overtakes Bing and sets its sights on the once great but now dwindling Yahoo Search.

Q3 Mobile traffic & spend

As we observed in the first half of 2010, there was significant growth quarter on quarter in click volume through mobile devices. Q3 has continued that trend with click volumes on mobile reaching almost 4% of the total for PPC. A combination of increased advertising options and the continued deployment of smart phones within the market will have driven this growth. Interestingly the incremental rise in click volume has not been matched by costs, highlighting that mobile can indeed be more efficient than PC search for driving additional traffic. This offers more evidence for advertisers to concentrate on this channel if not already doing so – although they should ensure that their sites are compatible as well in order not to drive unmonetisable traffic.

Chart 1: 2010 Q1-Q3 Latitude Mobile & PC Search engine share on Google



Growth of Mobile PPC QoQ

	Q1 - Q2	Q2 - Q3	Average
Clicks	89%	44%	67%
Spend	41%	7%	24%

The data above includes traffic through Google, Google Search partners & the Google Display Network (GDN)

- According to above chart, mobile is growing at an average of 67% in clicks and 24% in spend per quarter

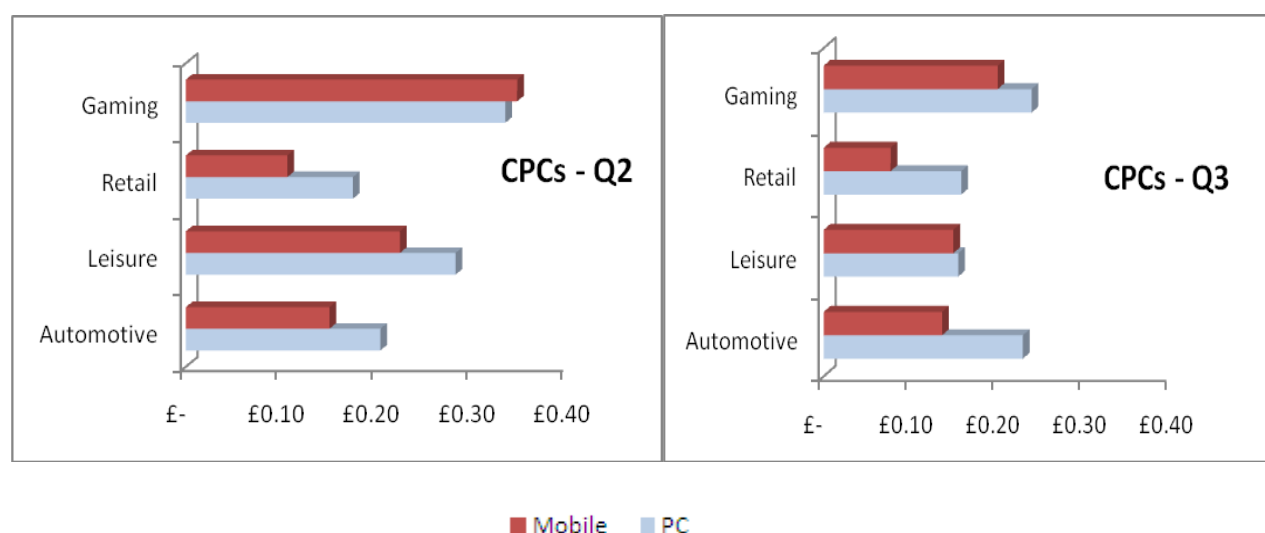
Another important metric to consider is impressions / searches. This is because CTR is such an important factor in determining ad performance for paid search marketing. The increase in

impressions quarter on quarter is slightly less than the click volume which is a good thing as it shows CTR is improving. Q3 CTR for mobile was 1.32% overall vs 1.11% on PCs. The GDN naturally brings down the CTR for PCs but mobile is still more than holding its own, providing relevant ads to the user

CPCs Arbitrage Opportunity

We noted in the Q2 Report that CPCs for mobile is lower than PCs across most sectors, excluding gaming. This trend has continued and in some sectors like Automotive and Retail, the arbitrage opportunity is increasing for now.

Chart 2: 2010 Q2-Q3 Latitude cps from Google paid search traffic



Mobile CPCs as % lower than PCs

	Q2	Q3	Average
Automotive	26%	↓ 41%	34%
Leisure	21%	↑ 4%	12%
Retail	39%	↓ 51%	45%
Gaming	-4%	↑ 16%	6%

- According to the data collected, CPCs are an average of 24% lower on mobile

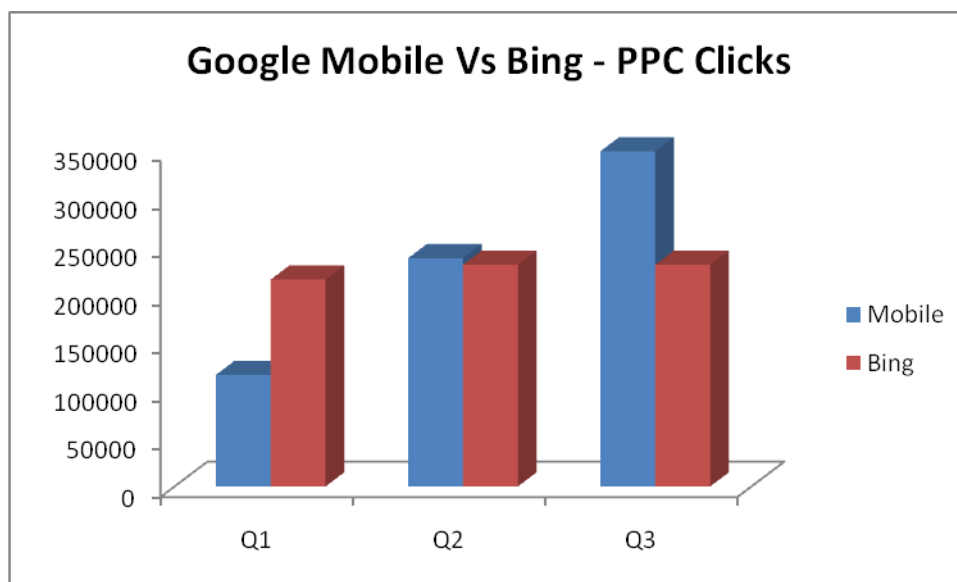
Statistics comparing CPCs by sector reveal an interesting opportunity. Classic economics of supply and demand are at play, because fewer advertisers are focused on mobile than the long-

established PC search, CPCs are lower with some exceptions. This is all the more impressive given the importance of being in the top 2 positions on a mobile phone versus a longer range of relevant positions on a PC. Whilst the mobile volumes are still a relatively small percentage of overall search traffic and many sites are not 'mobile ready', mobile search has attracted less competition and therefore the CPCs are currently lower. As mobile evolves, continued downward pressure on CPCs will be driven by campaign optimisation by advertisers and increased volume, but this will ultimately be offset by saturation and limited real estate. The message – get in and establish your brand while the arbitrage is good.

Bing Vs Google Mobile

So how do the click volumes stack up now when comparing the total PPC traffic available on Bing Vs Mobile PPC traffic through Google? We predicted last quarter that by the end of the 2010 Google mobile PPC traffic would be the higher of the two. Chart 3 shows that in Q3 this year that prediction has already come through:

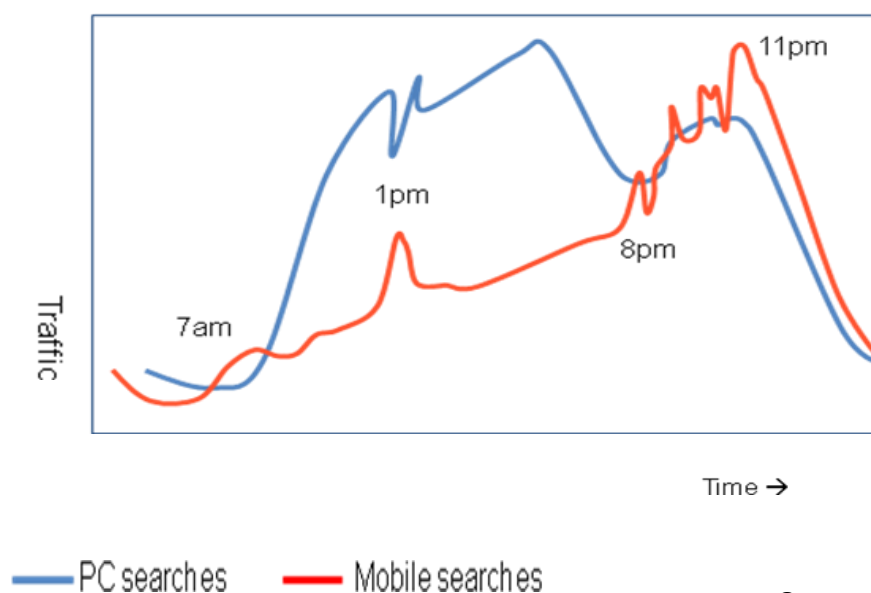
Chart 3: 2010 Q1-Q3 Latitude PPC traffic from Google Mobile & Bing



Bing volume has been fairly static throughout 2010 in relative terms at 7% as we would expect, the impact of the rebranded Microsoft search engine not really having a significant impact on the PPC market within the UK. Mobile PPC traffic, on the other hand, has risen sharply quarter on quarter to exceed Bing with more than 50% extra click volume.

Dayparting / Adscheduling. A different approach for Mobile?

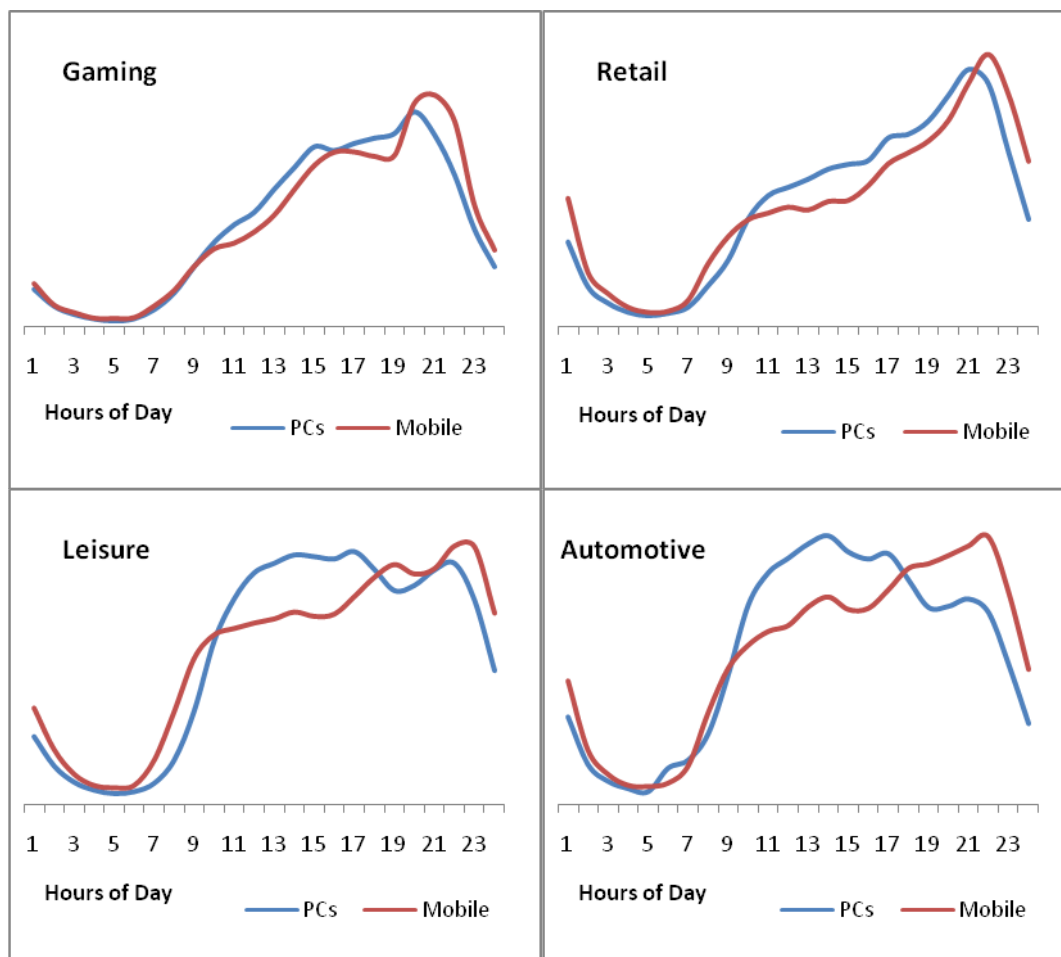
For PPC advertisers one of the key considerations when developing a PPC strategy is to take into consideration search patterns throughout the day. If you see a spike in searches around a particular time of day then it makes sense to take optimise your bidding / positional strategy across relevant search terms. You would expect that user behaviour differs when comparing Mobile and PC search patterns. The graphic below illustrates this



Source: Google

Looking at this trend it would suggest that mobile searches are lower in the day due to the majority of people working 9-5 and having easier access to PCs. In the evening mobile usage increases significantly as people tend to be away from their desks / in transit. This is very much an overview of the market though and whilst accurate in many instances, it's important to study the relevant sector and ultimately sub-sector trends for your own website. Below are 4 examples across different sectors within the market:

Chart 4: Average Daily Search volumes for Q3 2010



The above charts perfectly demonstrate how search volumes across different sectors behave differently. Gaming and Retail have very similar search patterns for PCs and mobile and so similar strategies should be looked at across both devices. Advertisers within the Leisure & automotive industries should be looking at different strategies based on uplifts in traffic for PCs in the middle of the day Vs an uplift in mobile traffic towards the end of the day. It poses an interesting question as to whether or not mobile searches are cannibalising PC searches. In the Q4 review Latitude will be looking at 2010 in its entirety to try and get a better view of this.

Mobile Search Developments

So what has led to the increase in search volumes on mobile devices for Q3? Certainly an increased saturation of smart phones in the market have been a core driver. There have also been several developments with the technology and tools behind how advertisers can target users through mobile. Google have recognised the opportunity here and already have been developing advertising opportunities for search advertisers.

Google Ad Formats

Due to the nature of mobile searches having a strong localised theme, Google have focused on developing enhanced PPC ads to offer greater options for the user:

Click to call phone numbers. The functionality was introduced in January 2010 where PPC adverts could contain “click-to-call” phone numbers in local ads for Google on mobile devices. Since March this year it has been available for national campaigns as well.

Expandable Map ads This has long been available through the Google search network and in July this year expandable map ads were made available through the Google Display Network. This option is great for advertisers wanting to feature their business location and phone number within an ad. There has also recently been “distance” information added within the ads to let users know how far they are from a particular business location. This is a nice add on for mobile advertisers



Example above demonstrates the use of click to call and expandable map ads, before and after clicking on the plus box

Top tip for Mobile PPC

Latitude best practices

- 1 to 3 keyword search terms, keep it short.
- Use broad match terms to capture maximum amount of traffic.
- Higher uptake on Google suggest on mobile devices – use Google Suggest for keyword research.

Predictions for Q4

Quarter on Quarter Growth. There are still a lot of advertisers yet to take advantage of mobile search. I would expect that we shall start to see CPCs rise on mobile search as the traffic rises with a more competitive landscape developing. More advertisers will be looking at introducing mobile sites which should in turn increase conversions and therefore allow them to push more of their marketing budget through mobile activity.

Also, expect Google to allow better reporting options so that we can see specific performance of individual handsets. With the increase in volume it's becoming more of a requirement that advertisers will want / need to set up separate campaigns to target specific mobile handsets.

How to get in touch

To take the next step to success and receive a FREE audit of your mobile paid search campaign, contact mike.kirwan@latitudegroup.com now.