



LATITUDE

performance led digital marketing

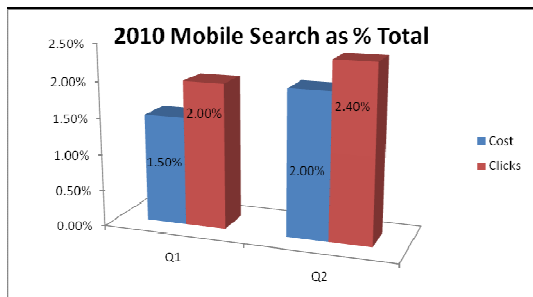
Q2 Mobile Search Report

July, 2010

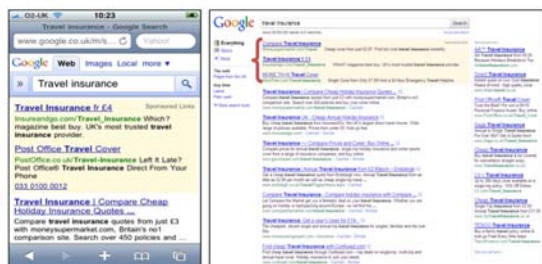
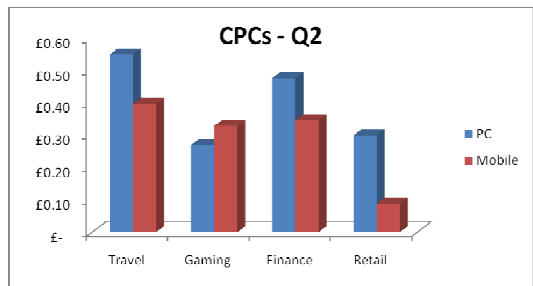
Contact: Duncan Fisher - duncan.fisher@latitudegroup.com

Key data

	2008E	2009E	2010E
Smartphone users (MM)	165.2	247.5	374.1
Y/y %		50%	51%



	PC	iPhone	Blackberry	Nexus-One
Ave PPC ads	9.2	1.1	0.1	1.1



PPC ads cover **20%** of screen

PPC ads cover **4%** of screen

Executive Summary

We predict mobile search to be bigger than Bing by the end of 2010

This document looks to explore the impact that mobile has had on search marketing so far in 2010, with a particular focus on paid search. It will focus on key trends and what advertisers need to be considering as part of their strategy for the future. This is the first instalment of what will be a series of quarterly reports throughout 2010.

Key mobile market stats

- Increase in smart phone saturation (374 million users worldwide 2010 – up 51%)
- 2011 should see this figure in excess of 500 million
- Mobile searches will represent 8% - 10% of overall search queries in 2010
- Approx 64% queries on iPhone / Nexus devices have sponsored ads
- More real estate allocated to ads (20% of real estate) Vs organic listings in mobile Vs PC

Latitude Findings

- Mobile PPC search traffic is now a significant number that demands attention
- Quarter on Quarter growth in traffic & cost 2010
- CTRs (click-through-rates) a lot stronger on mobile search generally
- CPCs (cost-per-clicks) are lower on mobile search Vs PCs

What next?

Options available to the advertiser include targeting, tracking & customisation for the mobile search channel. Key considerations are highlighted in the last section of this document

Current market state

Every year we have been hearing the same line from industry experts; “This is the year of mobile”. Well finally in 2010 I’m inclined to agree, as the stats appear to back up this claim:

- Increase in smart phone saturation (374 million users worldwide 2010 – up 51%)
- 2011 should see this figure in excess of 500 million
- Mobile searches will represent 8% - 10% of overall search queries in 2010

	2008E	2009E	2010E	2011E	2012E
Smartphone users (MM)	165.2	247.5	374.1	553.7	766.1
y/y %		50%	51%	48%	38%
Searches per user per month (per feature phone)	0.36	0.50	0.70	0.95	1.28
y/y %		40%	40%	35%	35%
Searches per user per month (smartphone vs feature pho	50	50	50	50	50
Total searches per month (per smartphone)	18	25	35	47	64
Total searches per year (per smartphone)	214	300	420	567	765
Total annual searches on Smartphone (BB)	35	74	157	314	586

Source: Comscore, Gartner’s May 26, 2010 press release titled “Gartner Says Worldwide PC Shipments on Pace to Grow 22 Percent in 2010.”

What is the relevance / significance to Paid Search?

- Approx 64% queries on Iphone / Nexus devices have sponsored ads
- More real estate allocated to ads (20% of real estate) Vs organic listings in mobile Vs PC
- Higher CTRs on mobile Vs PC

These are industry stats and as with most, you are always inclined to take them with a pinch of salt. So we’ve done our own investigations at Latitude and seen the following trends for our UK client base:

- % Paid search spend going through mobile is approximately 2% on Google
- CTRs are significantly higher on mobile Vs PC searches. 200% better overall based on our client base
- CPCs on PPC are 20% lower on mobile search Vs PC

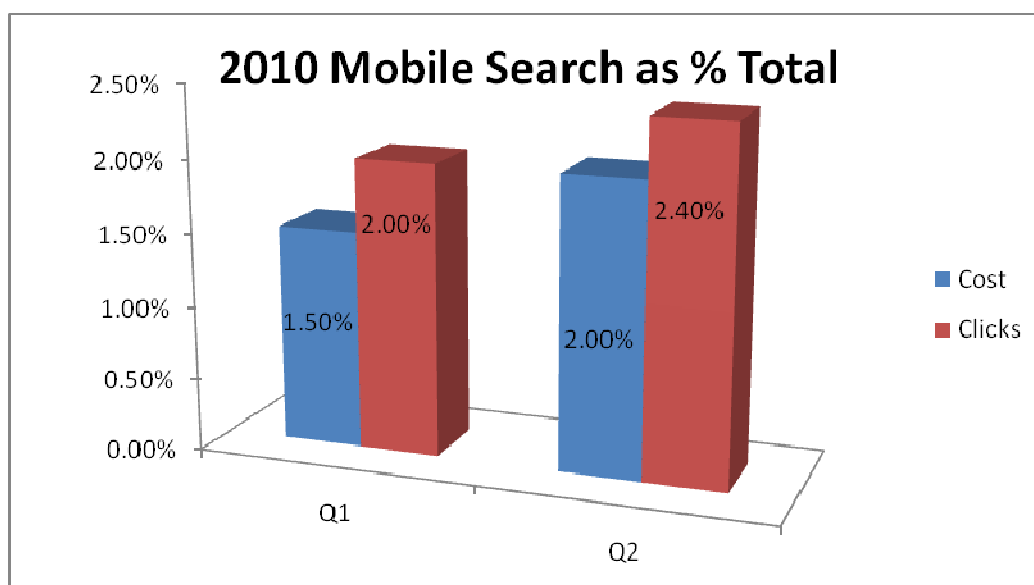
It is worth noting that PPC is only 20% total mobile search traffic. This is for a number of reasons

- Still over 35% searches on Smartphones do not contain sponsored listings
- A lot of the searches are non-commercial, more focused on informational content
- Poorer quality ads on mobile in general. Several advertisers yet to optimise mobile ad texts

% PPC spend through mobile

Trends show that both spend and click volume has increased quarter on quarter this year, with the growth in Smartphone handsets sure to be a natural cause of this. Interestingly cost has increased by a larger %, perhaps demonstrating the increasing competition on mobile search

Chart 1: 2010 H1 Latitude Mobile & PC Search engine share

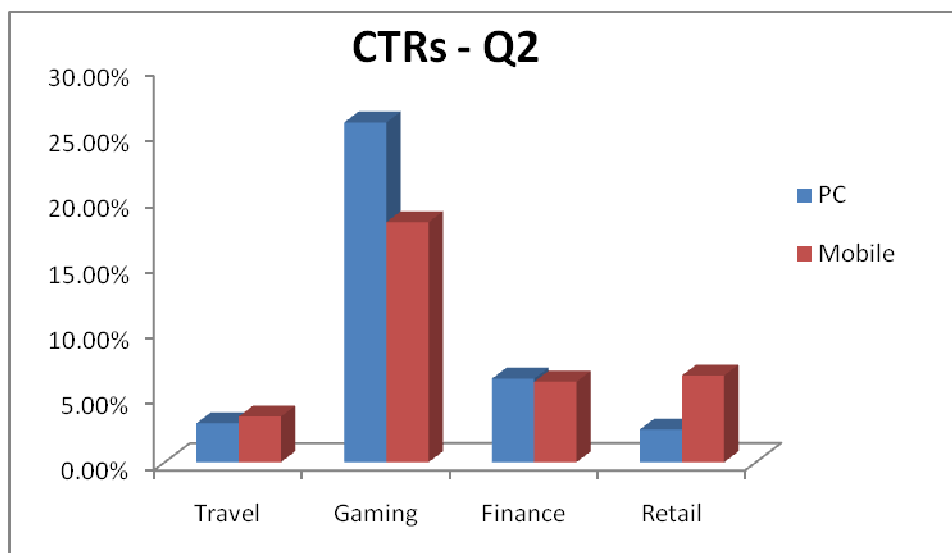


The data above and for the following charts is taken from Google only, separating out mobile device statistics from PCs.

CTRs higher on mobile?

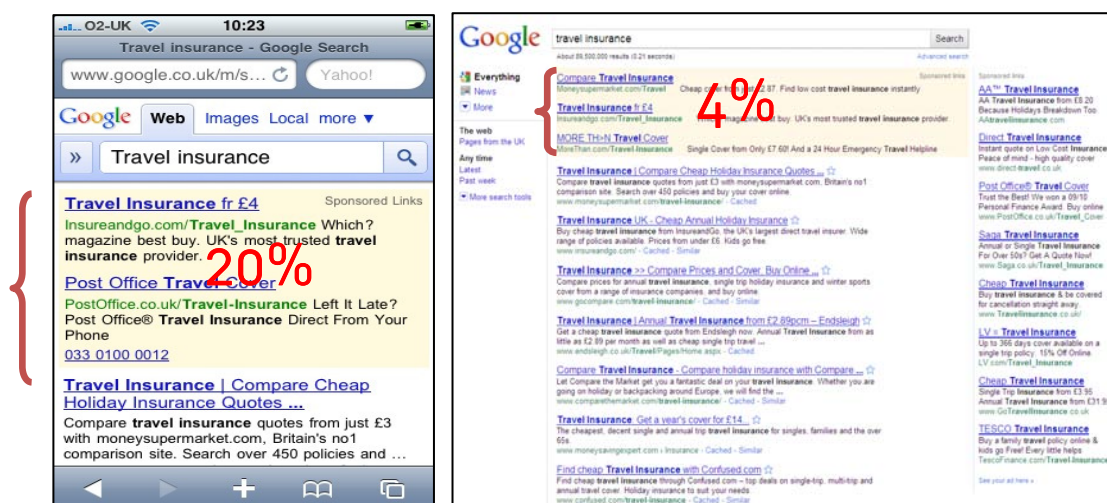
CTRs are significantly higher on mobile Vs PC searches. They are 200% better overall based on our client base. Looking at some of the key sectors it tells a slightly different story; the gaming sector is still showing significantly better CTRs on PCs, potentially due to a competitive marketplace on mobile already. This is illustrated within the cpc (cost per click) analysis in chart 3.

Chart 2: Latitude CTRs from Paid Search traffic Q2 2010



Why should CTRs on PPC ads be higher on mobile?

One of the significant differences between PCs and mobile for browsing online is the composition of the SERPs displayed. Looking at the screen grabs below you can see the options facing a user after running a search query.



Paid search covers 20% of typical Smartphone screens vs 4% on a PC

The Iphone ad on the right only offers 3 ads in this instance before you have to scroll elsewhere, increasing the likelihood of a click across one of those ads. Given the fact that there aren't as many competing ads on mobile search it's more likely that you're ad will be appearing in these top placements, thus achieving higher CTRs. The table below shows average number of ads across the leading platforms

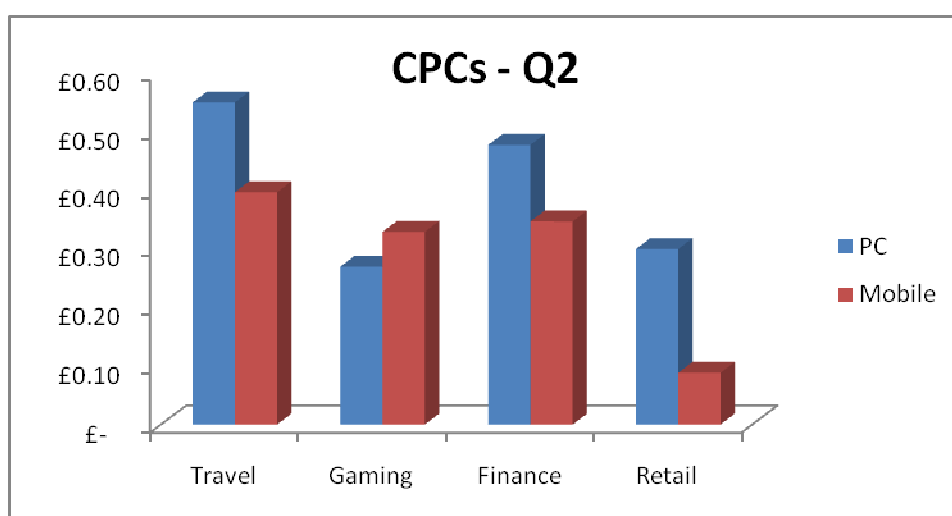
	PC	iPhone	Blackberry	Nexus-One
Average PPC Ads	9.2	1.1	0.1	1.1

Source: Google.com, iPhone, Nexus One, Blackberry Curve

CPCs on PPC lower

In general cpcs are a lot lower across most sectors, but gaming seems to be the exception to the rule. This falls in line with the CTR stats that show gaming is actually worse on mobile. If the marketplace becomes well saturated on mobile searches then CTRs will be lower as there's an increased likelihood of being outside of the top 2 prime positions

Chart 3: Latitude cpcs from Paid Search traffic Q2 2010



Summary

So it's not a huge number yet in terms of market share but the rate of growth is impressive. A lot of paid search marketers put significant time and effort into managing and optimising activity on Bing. As Bing is circa 3% of the market in the UK, it would suggest as much time should be invested into understanding and optimising activity for mobile search.

Tips to success

Provide a mobile version of your website. With more hits coming to your website through mobile search you need to ensure the user experience is positive. Investing in the development of your mobile site will gain user traction and improve conversions.

Separate Targeting. Make use of Google Adwords Smartphone targeting options to separate out specific devices and networks where relevant.

Tailor your call to action. Adjust ad copy to be more relevant and appealing to mobile users. Make use of specific offers & strong calls to action.

Google click to call. Another great feature for mobile that enables advertisers to display a click-to-call business number in ads that appear on mobile devices.

Track and Analyse. Using tools such as Google Analytics you can track performance for mobile search separately and gain valuable insight into user engagement through this channel. Be wary that when users access internet over a mobile, the network can be lost and tags will drop off. This is estimated to happen between 5-10% of the time.

Get established now. If you wait then it may be difficult to gain top ad positions for key search terms that drive volume to your website. Cpc's will become more expensive over time as traffic volumes increase.

Predictions for Q3

Mobile search to overtake Bing. Looking at the current trends, it would suggest that mobile paid search traffic through Google will overtake Bing paid search traffic volumes by the end of 2010 in the UK.

Mobile technology advancements to increase search volumes. iPhone 4, Samsung Galaxy S (android) releases will increase usage of Smartphones.

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.