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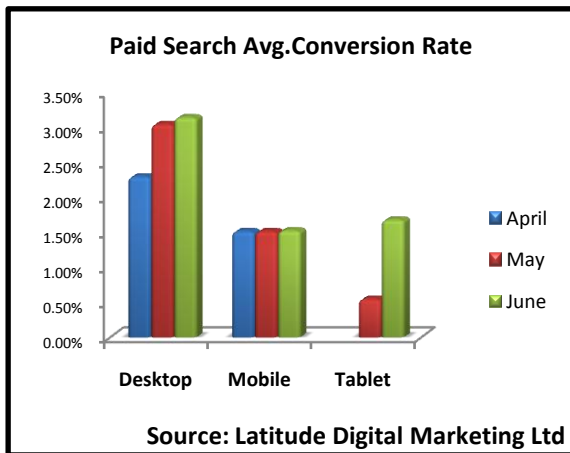
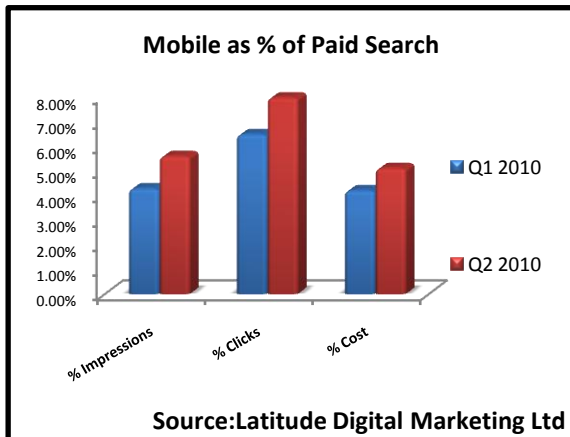
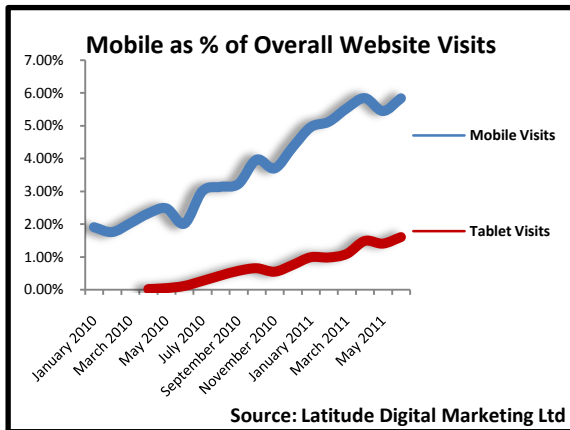
Part of the Callcredit Information Group

Q3 Mobile Search Report

July, 2011

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Key data



Executive Summary

Latitude Findings

- **Mobile visitors back on the increase.** After a slight fall at the beginning of quarter 2, the proportion of website visitors from mobile devices began to rise again in June.
- **Paid Search clicks from Mobile & Tablet continue to grow.** Mobile & Tablet paid search clicks accounted for **6.5%** of total paid search clicks in Q1. This has grown to **8%** in Q2.
- **Significant gap between Mobile and Desktop conversion rate remains.** Mobile paid search conversion rate averaged **1.5%** compared to **2.8%** for Desktop. While Mobile delivers **8%** of clicks, it delivers **4.4%** of total paid search conversions. With **79%** of websites not optimised for Mobile, there is still massive potential for increased conversion volumes.
- **iPad 2 release boosts Tablet visitors.** The March release of the iPad2 helped to increase Tablet traffic volumes from **1%** of total visits in Q1 to **1.5%** in Q2.

Latitude Q2 Quickstats

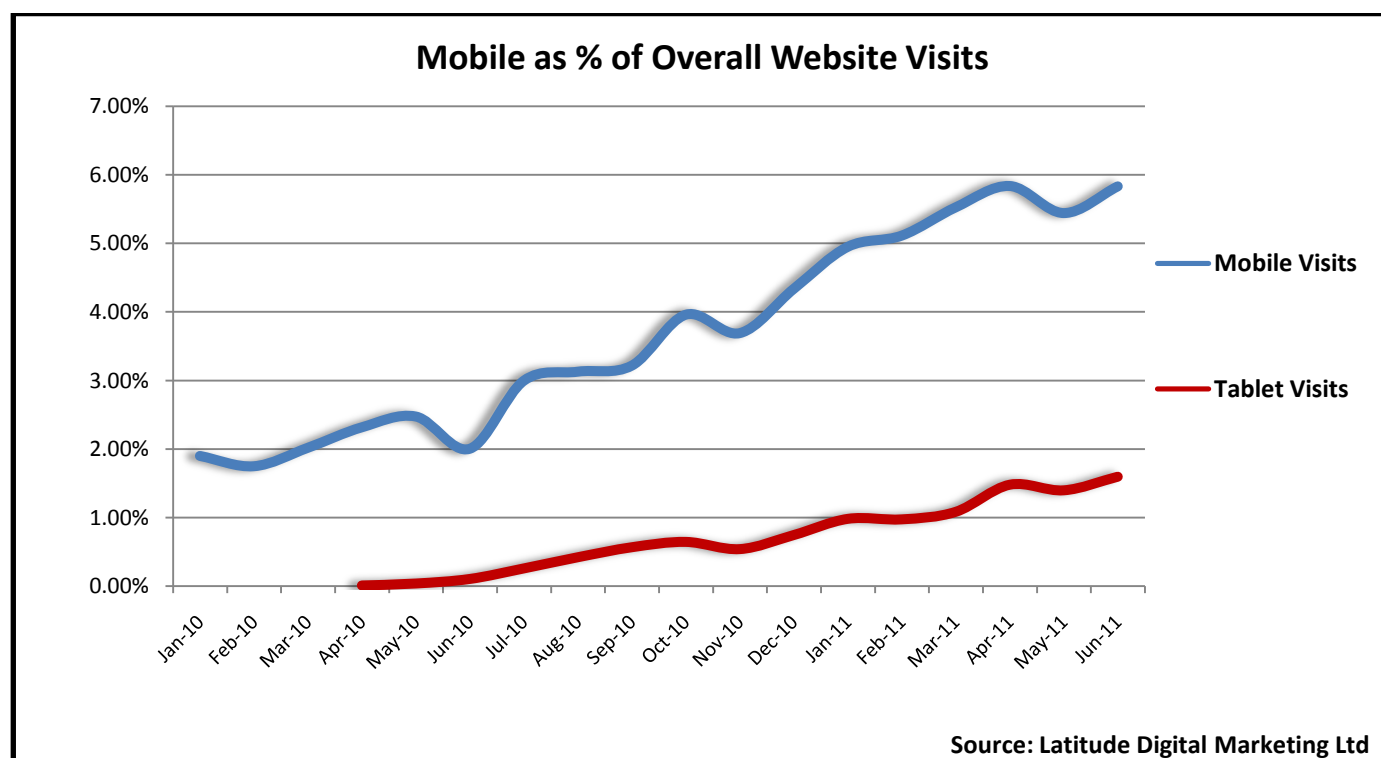
- Mobile represents **8%** of total Paid Search clicks
- Mobile paid search clicks **39%** cheaper than Desktop
- Mobile PPC conversion rate averaged **1.5%**
- Mobile conversion rates overall averaged **0.85%**
- Mobile CTR averaged **4.8%** against **3.1%** for Desktop

Quarter 2 2011 – Mobile Traffic Overview

Q2 registered something of a blip in the growth of the mobile web, with April and May seeing a downturn in the overall proportion of visits coming from mobile devices. This however appears to mimic the trend shown last year, and as in 2010 June saw a return to growth.

In previous reports we have noted the effect that hardware releases have had on the growth of the mobile web. The release of the iPhone 4 in Summer 2010 drove hosts of new smartphone users onto the web; any materialisation of the [rumoured September iPhone 5 release](#) could see a similar trend this year. Following last year's trend line, this means mobile could potentially account for up to 8% of total website visits by the end of the year.

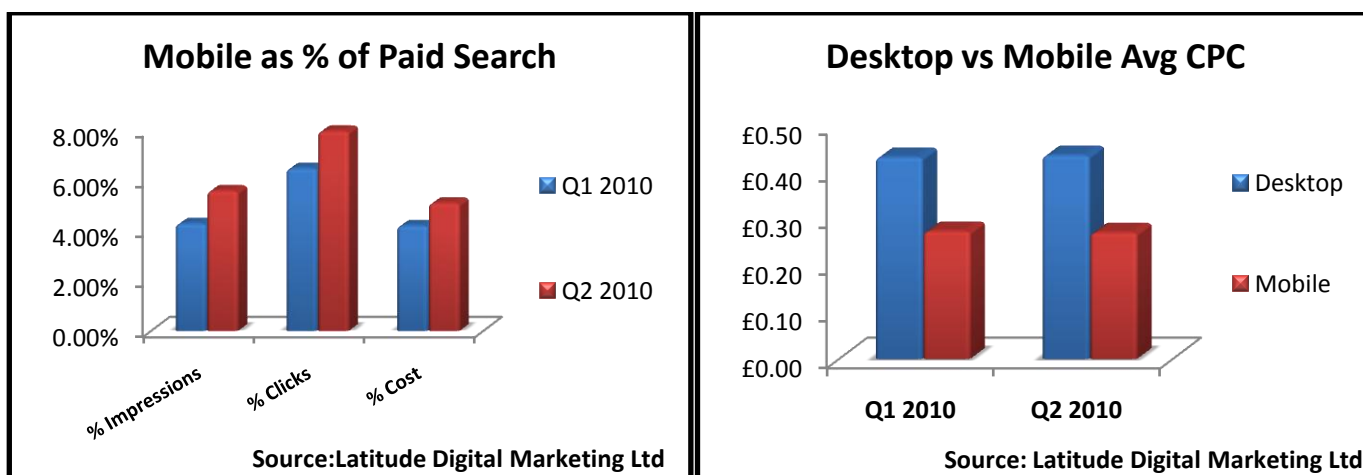
Q2 has also seen continued growth in Tablet usage. The release of the popular iPad 2 in March seems to have made an immediate impact on visit volumes, with Tablet visits representing on average 1.5% of website visits through Q2, compared to 1% in Q1. Although the iPad continues to dominate Tablet sales, offerings from other manufacturers will surely begin to eat into Apple's market share. The recently released BlackBerry PlayBook and an expanding range of Android driven devices should drive Tablet visitor volumes further over Q3 and Q4.



Following the current rate of growth, Mobile clicks could reach 8% of total clicks by the end of 2011.

Q2 Mobile Paid Search Traffic & Spend

Taking an overview of paid search traffic in general, Quarter 2 saw a continuation of the upward trends for Mobile ad impressions and clicks. Mobile (including Tablet) now accounts for approximately 8% of total paid search clicks. This represents a substantial increase from the 6.5% average seen across Quarter 1. The average cost per click for Mobile ads has remained static from quarter 1 though, and Mobile clicks remain approximately 39% cheaper than Desktop clicks.



Q2 Mobile Conversion Rate Overview

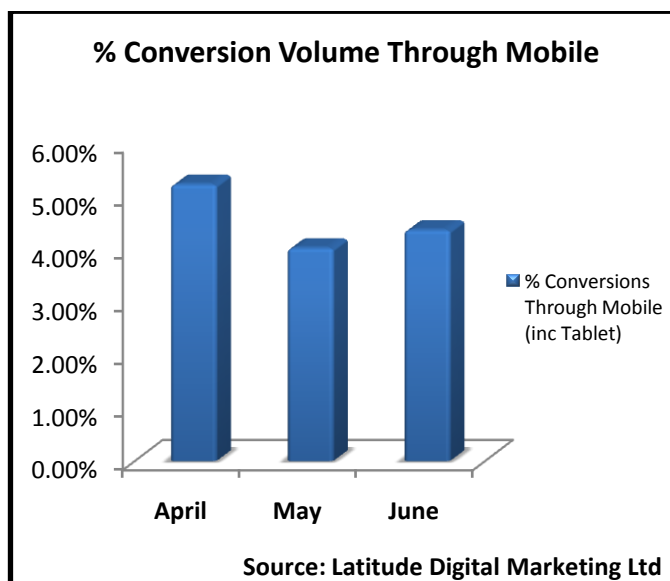
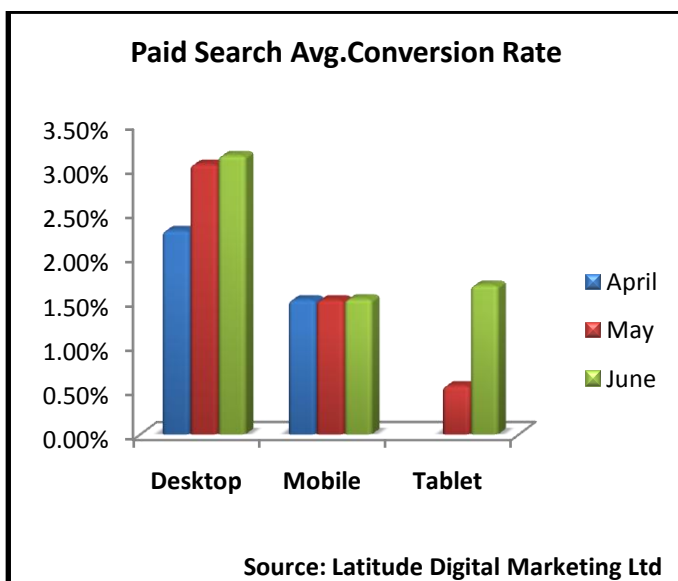
The Mobile Marketing Association and Google recently conducted [research into smartphone user behaviour](#) and released some compelling figures for the UK;

- **55%** of smartphone owners accessed the mobile web every day over the past seven days.
- **49%** accessed the mobile web multiple times per day.
- **81%** searched for local information, and of these 80% took action after finding local content.
- **68%** used their smartphone in a physical store location.
- **28%** made purchases on their mobile.
- Only **17%** of UK businesses have a mobile optimised website, and **15%** have an app.
- **65%** of businesses reported that their mobile strategy targeted the research stages of the buying cycle, rather than targeting conversions.

Google's figures underline the opportunities that many businesses have yet to embrace. There is a huge opportunity for forward thinking website owners to get ahead of the curve, given that 83% of UK businesses do not yet have a mobile website. Looking at our own figures, we see that conversion rates do exist on mobile, however when compared to desktop there is certainly scope for further optimisation.



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Overall, paid search conversion rates from mobile grew marginally through Q2, averaging 1.5% over the quarter. There still remains a significant difference in conversion rate when compared to Desktop, which averaged at 2.8%.

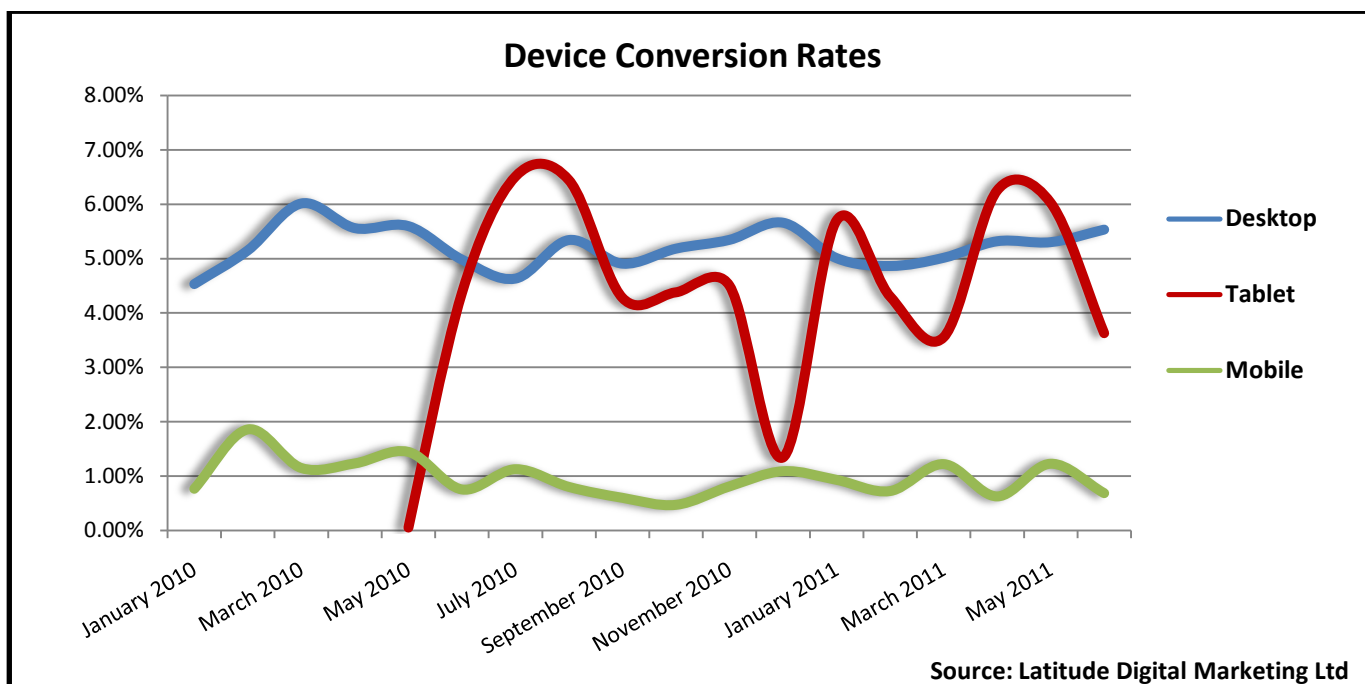
Although Mobile paid search clicks converted at just over half the rate of Desktop clicks, the growth in Mobile to 8% of total click volume meant that Mobile delivered 4.4% of total conversions in Q2.

The full segmentation of Tablet from Mobile in Adwords June stats also revealed marginally higher conversion rates for Tablet, averaging at 1.7%. A slightly lower conversion rate might be expected from smartphones, since Mobile is often used to research an acquisition later carried out on a desktop.

The above charts look specifically at Paid Search performance using Adwords tracking stats. Switching to Analytics data covering conversions from all traffic sources over the past 18 months, we see that there is a more pronounced difference between desktop and mobile. This is demonstrated in the following graphic.



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We see that Tablet is capable of outperforming Desktop in terms of conversion rate, although the trend line fluctuates due to a smaller data set. Mobile averages 0.85% conversion rate in Q2 2011, compared to Desktop at 5.4%. There does appear to be significant opportunity for Mobile conversion rates to be improved with optimised websites - Google report that 79% of top spending advertisers do not yet have a mobile optimised site. With approximately 4.5% of paid search conversions occurring on mobile devices in June, optimised websites and improved mobile conversion rates could add significant volume for many businesses.

Conversion Rate by Device

With such a wide selection of handsets and operating systems currently in circulation, consideration should certainly be taken to ensure that your goal - be it an email signup, purchase or online quote submission - is as easy to convert as possible to *each* visitor no matter how they access your site.

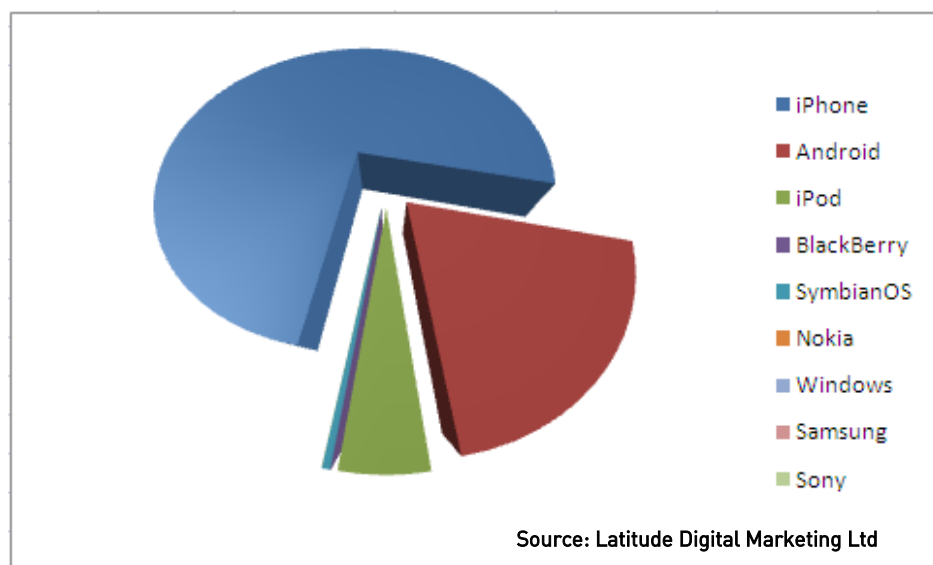
Google Analytics recently updated to provide greater insight into mobile visits. Metrics for phone brand, screen size, resolution and many others are now available. This is valuable information for mobile website optimisation.



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To get a picture of the conversion rates across different handsets Latitude has aggregated data from various sectors including fashion, leisure and finance. We looked at the number of visits referred via mobile, the share of transactions and the conversion rate for each operating system.

Share of Transactions:



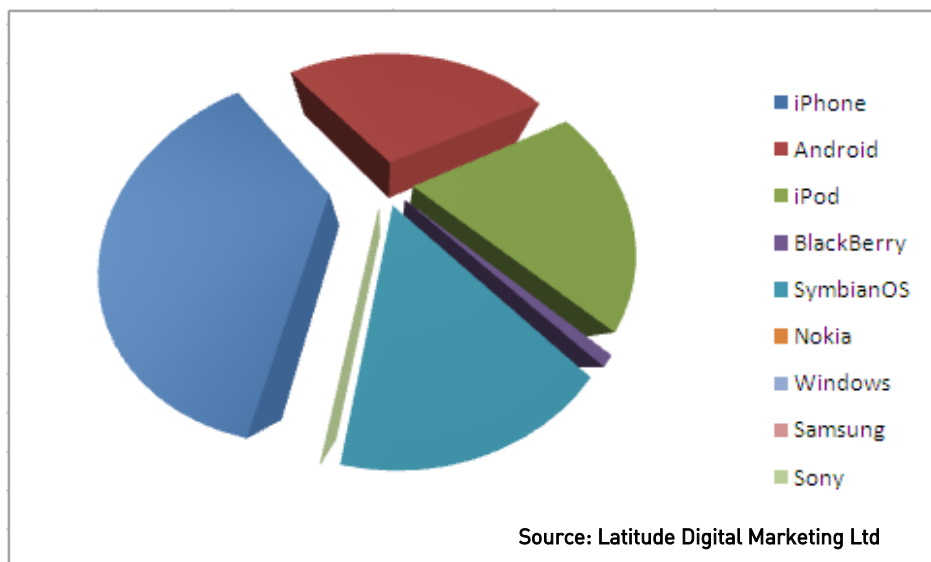
The study suggests that the iPhone owns a share of 76% of all mobile transactions followed by the Android with 19% and the iPod at 5%. BlackBerry hold a share of just 0.04%.

Uswitch currently report that the top 5 mobile phone handsets at the moment are:

- Apple iPhone 4 16GB
- Samsung Galaxy S2
- Blackberry Torch
- HTC Sensation
- HTC Desire HD

The HTC handsets run on the Android operating system. For the third most popular handset at the time of reporting it is surprising that Blackberry handsets return such a small percentage of transactions.

Conversion Rate across Mobile Handsets



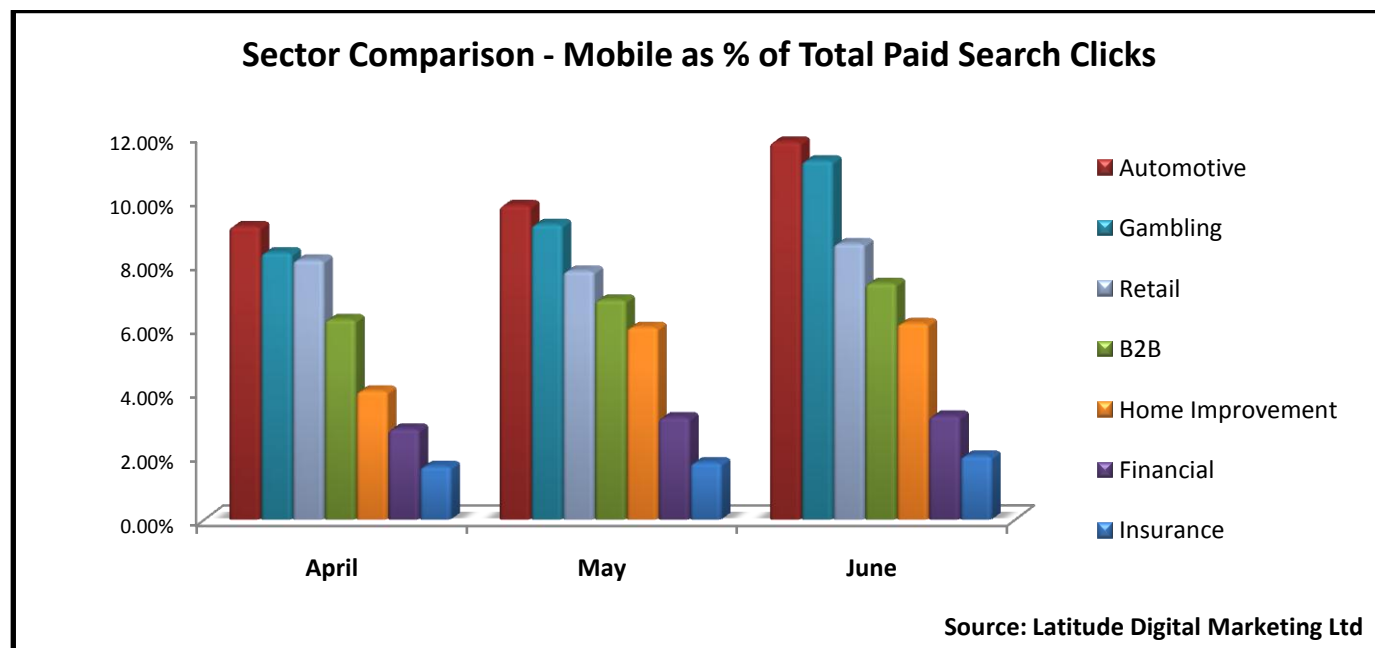
Data illustrates that the main share holders for mobile conversions are the iPhone, Android, iPod and SymbianOS.

When taking a closer look at conversion rates Blackberry - whilst being a popular mobile handset - has a conversion rate of just 0.03%. In an example data set of 3,688 total mobile visits only one conversion occurred on Blackberry. Comparing this to 11 conversions acquired from 2,530 fewer visits referred through Symbian OS it seems that the Blackberry device fails to convert well.

Further studies will be carried out to determine what the cause of this is. Is it that the submission of forms is somewhat tricky on the Blackberry? Is it too time consuming? Are screen sizes a factor? What we can confirm is that it is vital to ensure that websites render well across the range of handsets and operating systems. Always ensure that your goal is clear and easy to complete for all visitors.

Q2 Sector Overview

Taking a look at some sector specific statistics, we see that mobile trends vary somewhat across the last three months. Though trends vary from sector to sector, all verticals appear to be experiencing growth in the proportion of paid search clicks from Mobile.



The Automotive sector has been the big mover in Q2, increasing from 7.4% on paid search clicks from mobile at the end of Q1, to almost 12% at the end of Q2. This increase is likely driven by several factors:

- New plate models released at the end of March.
- Periods of fair weather conducive to outdoor car-viewing.
- Evolution in car-buyer research behaviour, using mobile devices for research while viewing potential purchases.

The Gambling sector too has seen an impressive increase in mobile click volumes, from 9.5% of total at the end of Q1 growing to 11.2% at the end of Q2. We know that one third of smartphone users 'multiscreen' – ie search on Mobile while watching TV. A number of high profile televised sports events in Q2 – FA Cup final, Champions League Final, plus major Horse Racing and Boxing events - may have helped to drive mobile search growth this quarter.



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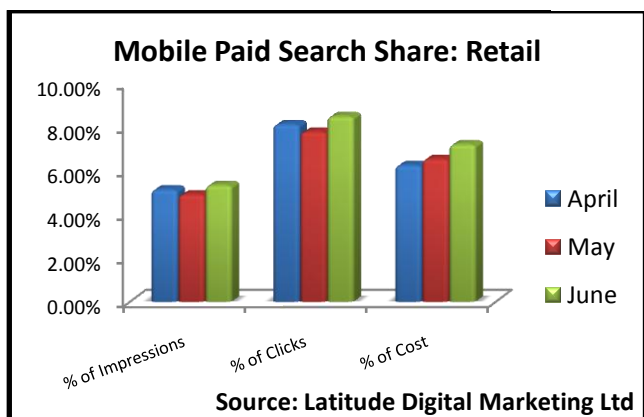
Interestingly the B2B sector saw a substantial increase in Mobile click volumes through Q2. Having previously remained fairly static at an average 5.3% of total click volumes in Q1, mobile clicks climbed to 7.4% of total clicks in June. This could be due to the start of a new financial year and increased searches for business services from smartphone equipped managers on the move.

Financial and Insurance services trail the field in mobile click volumes - a trend we observed in Q1. Even in these sectors though, mobile click volumes are growing. We recommended in Q1 that Click to Call was a great option for Insurance providers looking to overcome lengthy form fills on small touch screens. Auto insurer [Esurance recently reported great success](#) with this tactic, achieving between 20 to 30% lower CPA than other channels. The next steps for these sectors must be to grow mobile traffic volumes by using TV & Press campaigns to promote mobile marketing channels.

In the following sections we take a look at some industry specific trends.

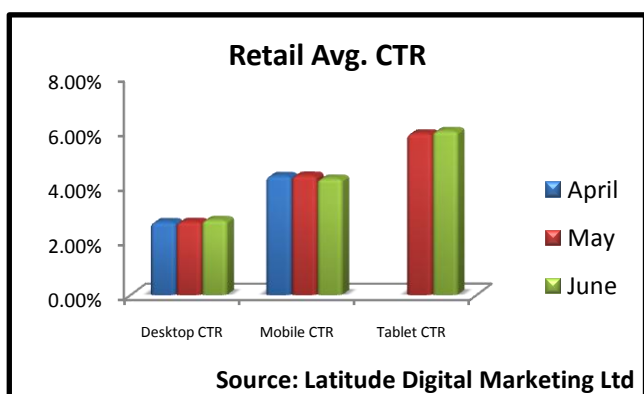


Retail Overview

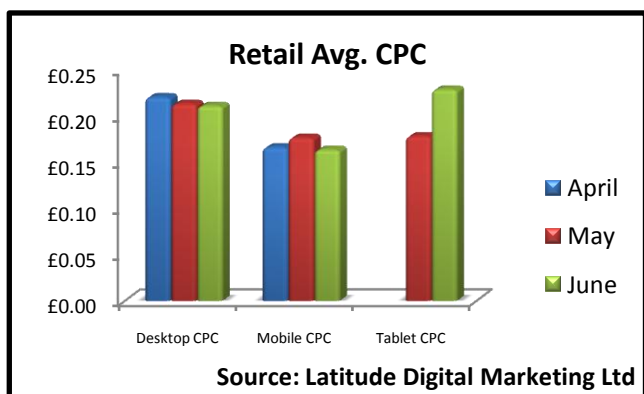


The proportion of paid search clicks from Mobile devices to retail websites reached 8.6% in June, compared to 6.5% in March.

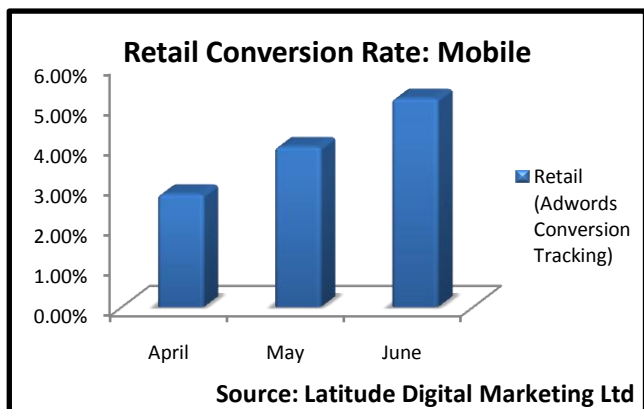
CTR from mobile search ads also outperformed desktop. Ad position is of course an important factor in this performance metric, with only two paid search ads appearing above the fold on Mobile search pages. We strongly advise all retailers as a minimum to ensure that their brand keyword ads occupy top Mobile ad position for maximum visibility and CTR.



At the end of May, Tablet specific stats became available in Adwords reporting for the first time. Splitting Tablet out from Mobile, we see that CTR outperforms both Mobile & Desktop, although average CPC is more comparable to desktop than to Mobile.



The key statistic from Q2 for the Retail sector however is the shift in Adwords conversion rates on Mobile. In June, Retailers' Adwords campaigns achieved an impressive average conversion rate of 5.8% in June, demonstrating that consumers are now embracing m-commerce. This is great news for retailers with the festive season fast approaching.



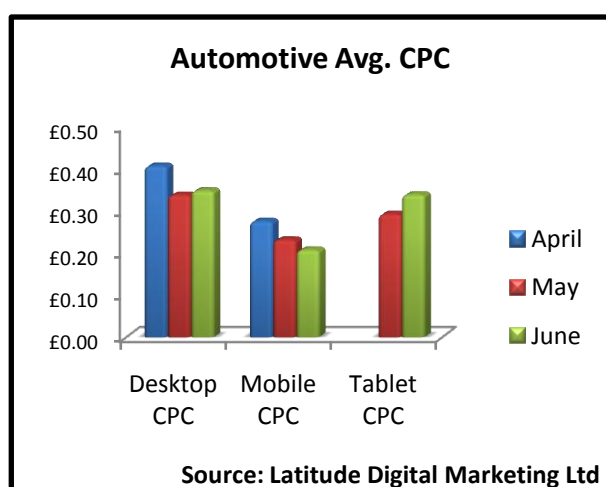
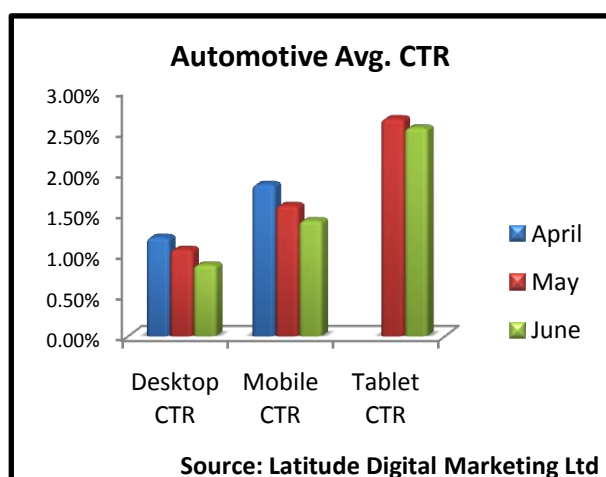
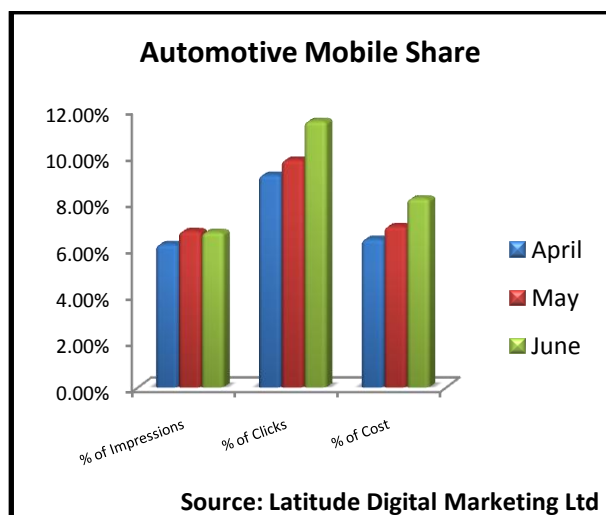
We have previously reported that top mobile activities for retail customers include price checks, searching for reviews, and finding store locations. Much of this search activity is performed while shopping in physical locations, or in response to offline TV and press advertising during recreational hours.

Given the strong ties between m-commerce and physical store locations, it seems likely that summer sales on the High Street and associated offline ad campaigns could drive mobile search volumes even higher for Retailers in Q3.



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Automotive Overview



The most substantial gains in Mobile click volume during Q2 have been for the Automotive sector. During March this year, car dealerships saw around 7% of all paid search clicks originating from Mobile. In April this increased to over 9%, and continued to climb, reaching almost 12% in June.

This is a remarkable increase, suggesting a shift in consumer behaviour. [Google reported](#) that in January 2011, 45% of AutoTrader users accessed AutoTrader Mobile *on a dealer forecourt* to learn more about a car.

Car buyers who are close to making a purchase are increasingly using smartphones to supplement their research. The mobile web is frequently used for last minute price, specification and location checks before committing to a purchase.

The segmentation of Tablet Stats from Mobile towards the end of May reveals that the previous classification of Tablet as a Mobile device was in fact distorting the Mobile picture. We see that Tablet CPC is very similar to desktop, and CTR is highest of all devices, while true Mobile CPC is approximately 40% lower than desktop.

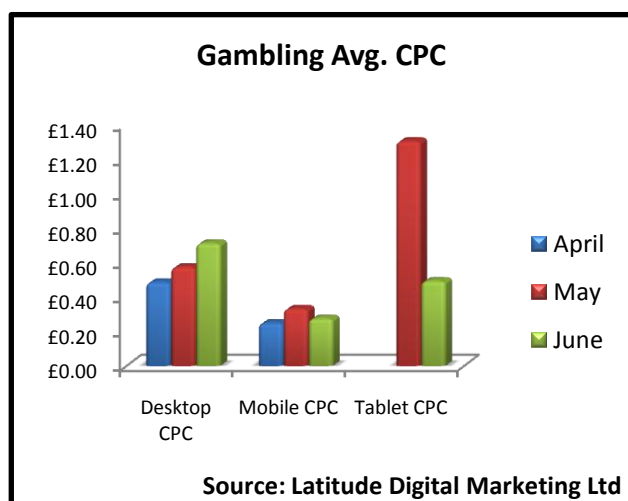
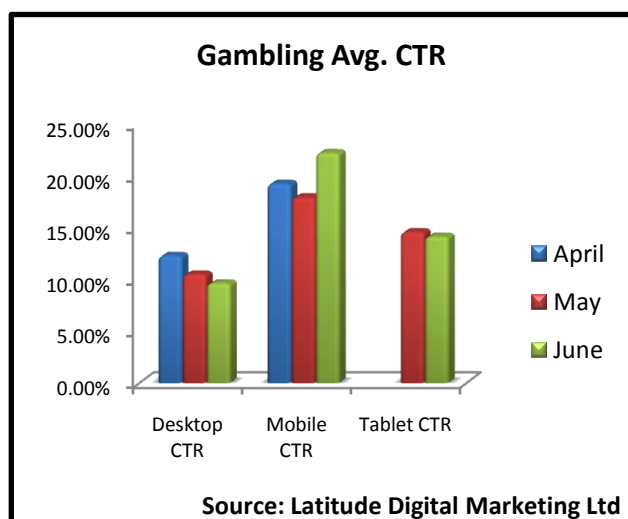
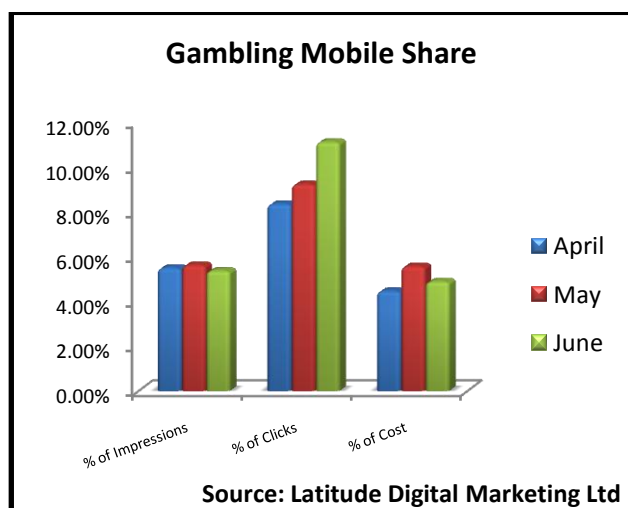
Statistically significant Automotive conversion data is unavailable, with most dealerships aiming to use Mobile campaigns to drive footfall to showrooms rather than generate online transactions.

Conversion tracking however is a vital element in any marketing campaign, and while car purchases ultimately occur on the forecourt, we would urge Automotive advertisers to measure marketing success by tracking micro-conversions; 'contact us' form fills, click to calls, even time on page goals can all be used to indicate campaign success.



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Gambling Overview



The Gambling sector experienced a dramatic lift in click volumes from Mobile. Throughout Q1, the proportion of mobile gambling clicks hovered around 9% of the paid search total. In May though, this proportion began to increase, reaching 11.2% in June.

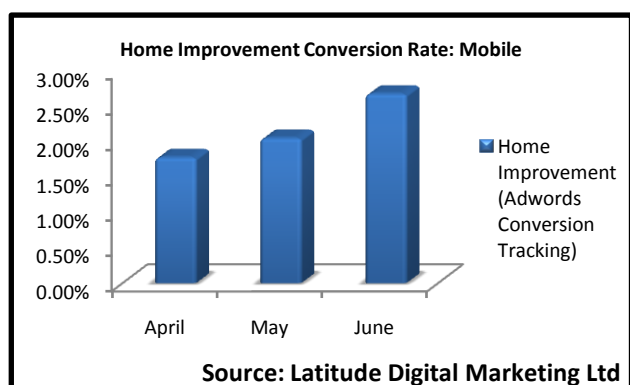
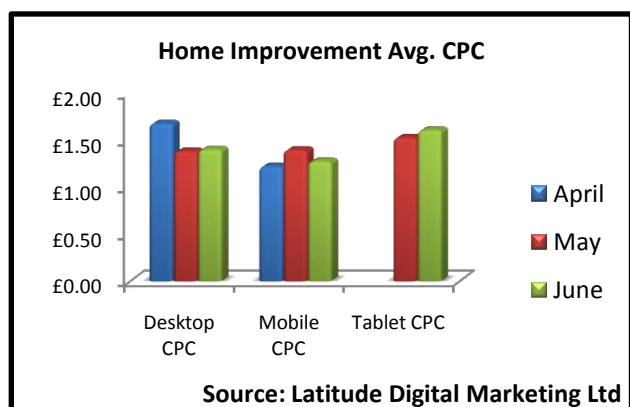
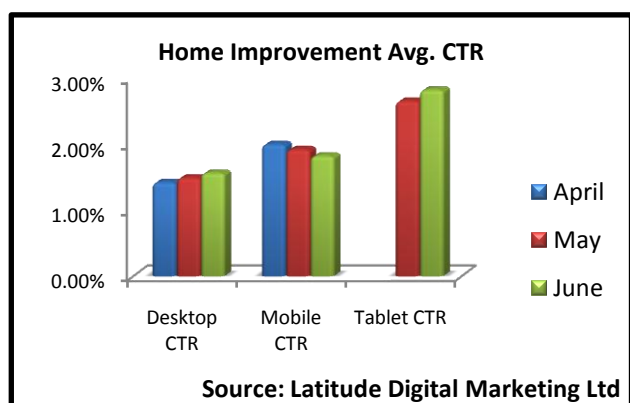
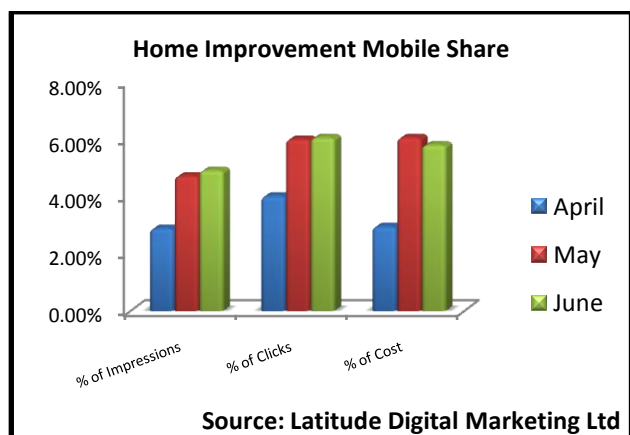
The reason for this increase might be attributed to sports betting activity around major televised events, and there is certainly a correlation between offline media and mobile web search volumes. We know that one third of smartphone owners 'multiscreen' - using mobile web specifically while watching TV. A huge 72% of smartphone owners use mobile web while consuming some other media format (whether TV, or radio, newspaper etc).

With lots of media buzz surrounding the final games of the football season, plus high profile televised events in horse racing and boxing, it is quite likely that media coverage around the Q2 sports calendar has contributed to the increase in clicks from mobile devices.

It is therefore critical that Gambling operators optimise marketing tactics to accommodate mobile user behaviour. Mobile optimised websites should feature up-to-the minute content relevant to sporting events, and any TV or press advertising should include mobile specific calls to action. The potential for profit is huge - In Google's 'Think Mobile' conference June 2011, gambling operator Paddy Power stated that 34% of active customers are now accessing the service through their phones, while Betfair stated that they received more than £1 billion in bets from mobile devices in their last financial year. These figures clearly will only grow.



Home Improvement Overview



Paid Search campaigns for Home Improvement (covering building services, conservatories, household repairs & renovations, and home security services) observed a sharp increase in mobile click volumes during May, achieving just over 6% of total clicks from mobile, from 4% in April.

This is notable since desktop web traffic in this sector traditionally tends to peak around March – April with consumers preparing for renovations in fair weather summer months.

We observed that desktop click volumes declined slightly in May and June, following the trend from previous years. While desktop traffic waned, Mobile click volumes increased.

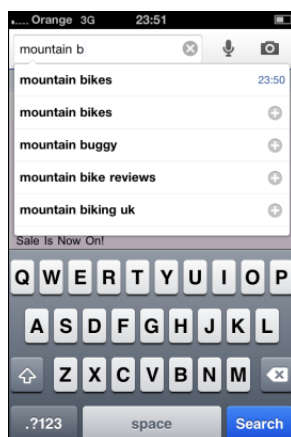
The degrees of difference between device performances in this sector are much more subtle than in other verticals. Mobile CPC averaged £1.31 compared to £1.48 for Tablets and £1.49 for desktop, making mobile clicks only 12% cheaper than desktop. This is a significant deviation from the average 39% across all sectors.

Conversion rates for mobile now compare favourably to desktop in this sector and reached 2.7% in June compared to 3% on desktop. Conversions in this sector are generally form-fills, and do not include mobile click-to-call enquiries. It's possible therefore that Mobile can actually deliver *higher* conversion rates that desktop.

Google Developments for Mobile Q2 2011

- Mobile query builder

Launched in June, the new mobile query builder function allows searchers to construct multiple word search terms quickly and easily without using the keypad. On entering a keyword, search suggest options appear below with a plus symbol that the user can click to add the phrase. Subsequent suggestions are then made, which the user can add to refine the query. Logically this should lead to greater volumes of long tail queries for marketers to target.

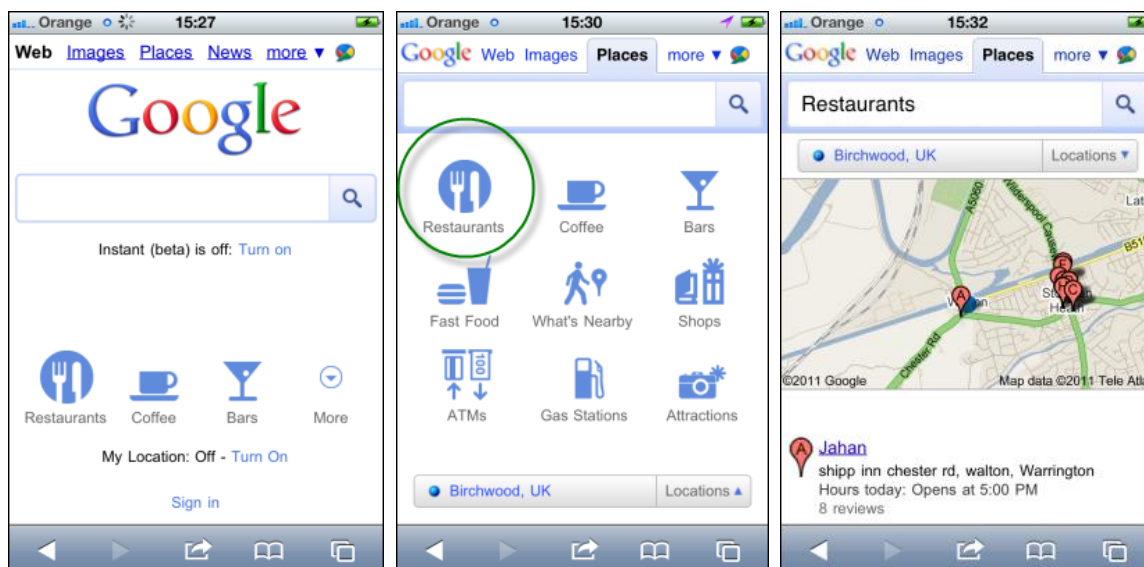


- Instant pages

Instant pages render the top listed website in the background as the user types their query. This reduces page load time when the link is clicked – a positive improvement for mobile user experience.

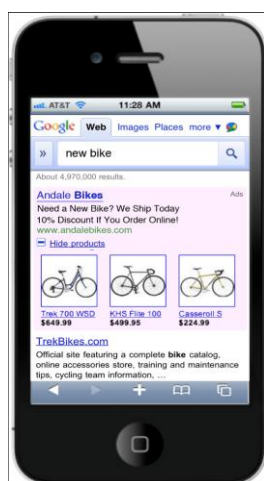
- Shortcut Icons

Shortcut icons have been introduced to the Google Mobile search home page, allowing quick access to local results for the most popular search queries without the need for text entry.



- Product extensions

A great feature for retailers, and familiar on desktop SERPs, product extensions are now available for mobile. The next development we look forward to is currently on beta trial in the US – Product Local ads will allow advertisers to target mobile with ads displaying product availability at nearby stores based on mobile location signals.



- Mobile optimised landing pages for Google Sites

Google recently launched a free service as part of their Google Sites offering, allowing anyone to create mobile optimised web pages using customisable templates. No coding required. This is great news for small to medium businesses which previously may have

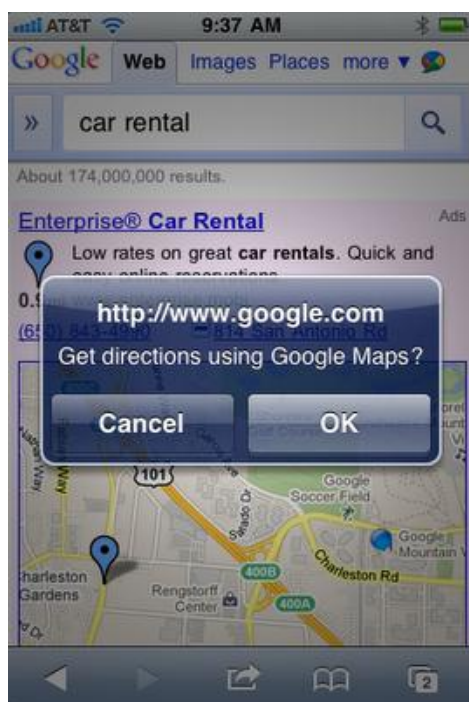
been faced with technological barriers or budget restraints when considering a mobile optimised web presence.

- Tablet targeting options (start of Q3)

It is now possible to target a variety of Tablet operating systems including Android & WebOS. Previously only iPads could be targeted. Marketers can now segment campaigns to address ads to specific operating systems.

- Directions clicks on map extensions become chargeable

Using location extensions Adwords advertisers are able to include a map with an advert. Users can then click a plus box to open up the map and receive directions to a store location. Directions clicks from PPC advert map extensions previously were free, but are now chargeable from June 2011. This is a cost that advertisers need to be aware of and measure. Google reason quite fairly that a click for directions signals definite user intent, similar to a click through to a website. Directions clicks are charged at the same rate as ad clicks.



Mobile PPC vs Organic Impressions

With the limited screen size available on mobile devices it has always been of great interest to have an idea of the percentage split between organic and ppc impressions. One would gather that since PPC ads take up a larger proportion of the screen on mobile than on a desktop, PPC ads may have an advantage over organic listings.

Latitude has analysed the data in one calendar month for keyword terms that have a page one position in Google and also have an exact match PPC ad.

- For exact match brand name queries, research suggests that up to 83% of visits come directly through SEO. This is an instance were companies have a #1 organic listing and PPC ad for their company name.
- For non-brand generic terms the opposite is witnessed. In one study a generic search term that ranks at #8 organically received 87% of visits via PPC ads.

It will always be very difficult to ascertain the specific ratio for CTR between SEO and PPC on the mobile handset due to the inconsistency of impressions with PPC.

QR Codes



Have a smartphone handy?
Try an image search here!

Chances are you have come across these curious looking barcodes more frequently lately. QR codes or “quick response” codes were created in 1994 and have recently experienced a sudden resurgence in interest especially from an innovative perspective.

Almost every magazine now has an advert with a QR code. Mobile users with the ability to ‘barcode scan’ will inevitably be curious to test out this mobile function.

Use of QR codes is still in early stages of development in the UK. Overseas there are some interesting examples of how QR codes can benefit both business and customers. Tesco Home Plus for instance created a virtual supermarket in a South Korean Subway, covering walls with images of products stacked on supermarket shelves. Commuters waiting on the platform can scan QR codes to order products for home delivery later the same day;



From links to movie trailers, facebook profiles, special offers and vcards the opportunities are endless. You may generate your QR code free online on numerous sites such as:

- <http://delivr.com/qr-code-generator>
- <http://qrcode.kaywa.com/>
- <http://www.qrstuff.com/>
- <http://zxing.appspot.com/generator/>

Contactless Payments

The mobile web is already huge, and continues grow rapidly. No question. This however is only one aspect of the way smartphones are changing our world. The next revolutionary technology for smartphones is NFC – near field communication – enabling contactless payments in physical locations.

This technology will allow the smartphone to replace the credit/debit cards in your pocket. Conceivably, it could even replace all your keys.

Google anticipate that by 2013, 1 in 5 mobile phones will feature NFC technology, and 50% by 2014.

A few handsets supporting this technology are already available, such as the Google Nexus and the Nokia C7. Samsung are due to release the Galaxy S II with NFC later this year, and have teamed up with Lloyds TSB to provide these handsets to all athletes in the London 2012 Olympics. Expect NFC buzz to hit the mainstream media next year.

NFC will change individuals' perceptions of their smartphones. Phones will become a payment method, as well as a medium for transactions. If consumers embrace NFC and trust their handsets for making payments at physical locations, it seems likely that the frequency of m-commerce transactions will also increase.

HOW NEAR FIELD COMMUNICATION (NFC) WORKS



NFC allows for a simple data exchange between two devices by way of a physical touch.



NFC requires an initiator and a target:



The initiator generates a radio frequency (RF) field with a range of about 4 centimeters.



The target picks up the RF field and receives the data it contains.

Source: Google

Q3 Predictions

- Latitude anticipate the growth in mobile web usage will continue steadily through July and August.
- A surge in growth is anticipated during September as consumers begin to consider the run up to Christmas.
- The September surge will be amplified if the iPhone 5 is released.
- As the gap between mobile and desktop paid click volumes decreases, Mobile CPC will begin to increase.
- Mobile conversion rates will also increase as more websites optimise for mobile in advance of the Q4 peak traffic season.

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.

