DIGITAL MARKETING REPORT
Deep market insights to drive smarter media investments

Q2 2018
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Investment growth for Google search ads decelerated for the third straight quarter, but spending still came in 18% higher Y/Y in Q2 2018. Since late 2017, search advertisers have seen average Google cost per click (CPC) growing faster than ad clicks, but advertisers are still generating positive returns from Google search, as the revenue per click produced by their Google ads has also increased across key segments.

One driver of this improved Google search ad performance has been the increasing role that audience targeting has played in the past year. In Q2 2018, 37% of Google search ad clicks were impacted by Google’s specific audience targeting products, including: remarketing lists for search ads (RLSA), Customer Match, and similar audiences. This rate was up from 21% of clicks a year earlier.

Google Shopping ads also remain a growth engine for Google, as spending on Google Shopping ads was up 31% Y/Y in Q2 2018, more than five times the rate of growth for Google text ads. Impression growth for Shopping ads has been robust, likely directly cannibalizing impressions for text ads, which have shown weak to declining growth in recent quarters, even on mobile.

After two very strong quarters, Bing and Yahoo search ad spending growth decelerated sharply in Q2 2018, despite accelerating click growth, as CPC growth dropped from a 17% increase Y/Y in Q1 to a 10% decline in Q2. Bing Product Ad CPCs have been depressed by rapid mobile growth, but CPCs are also trending lower across individual device types.

Facing stronger year-ago comps, Google organic search visit growth still improved nearly three points between Q1 and Q2 2018, coming in at 2.4% Y/Y growth in Q2. Bing organic search visits fell 12% in Q2 2018, but that marked a big improvement from the previous quarter, which came despite accelerating Bing ad click growth.

Site visits produced by YouTube grew nearly 300% Y/Y in Q2 2018, while Instagram-produced visits rose 236%. Facebook, which accounted for a majority of social media-driven site visits in Q2 2018, produced 8% Y/Y visit growth in the quarter, down from 19% in Q1 2018.

Instagram also significantly outpaced Facebook in terms of Y/Y ad spend growth, 177% to 40%, as impressions on Instagram more than tripled. As has been the case for the last two quarters, pricing continued to drive Facebook ad spend growth, as impressions fell 17% Y/Y. YouTube ad spend grew 189% Y/Y for advertisers investing in the platform since last Q2.

Amazon search ads continue to grow rapidly, with Sponsored Products spend up 165% and Headline Search Ads spend up 162% Y/Y for the quarter. Sponsored Products continue to account for the vast majority of Amazon search investment, with 88% spend share in Q2, and they also drive the highest sales per click for advertisers among Amazon’s search formats.

**PAID SEARCH**

- Google search spending grew 18% Y/Y in Q2 2018, as clicks grew 7% and CPCs rose 10%. Phone spending grew 37%, but desktop spending slowed to 12%.

- Google Shopping ad spending grew 31% Y/Y in Q2 2018, while text ad spending grew just 6%. For retailers, Google Shopping ads — also known as Product Listing Ads (PLAs) — produced 59% of all Google search ad clicks in the quarter.
EXECUTIVE SUMMARY

AMAZON ADS

- Amazon Sponsored Products spend grew 165% Y/Y in Q2 2018, while Headline Search Ads grew 162%. Sponsored Products continue to account for the vast majority of Amazon search spend, with Headline Search Ads and Product Display Ads accounting for just 12% of spend combined.
- Clicks from both Sponsored Products and Headline Search Ads convert at about three and a half times the rate of Google Shopping ads, looking across all brands bidding on either format.

ORGANIC SEARCH & SOCIAL

- Total site visits driven by organic search rose 2% Y/Y in Q2 2018, with phone visits growing nearly 11% in the quarter. Desktop organic search visits fell 5% in Q2 2018, an improvement from recent averages.
- The share of all site visits produced by organic search was down slightly from Q1 to Q2 2018, but has largely stabilized in the last three quarters. On mobile devices, organic search produced 24% of site visits in Q2 2018.
- Social media produced 3.7% of all site visits in Q2 2018, up from 2.9% a year earlier. On mobile devices, social media sites produced 4.6% of site visits in Q2 2018. Mobile devices accounted for over 77% of site visits driven by social media platforms in Q2 2018.

DISPLAY & PAID SOCIAL

- Facebook spend, excluding Instagram, grew 40% Y/Y, even as impressions fell 17%. Quarterly mobile traffic share for Facebook eclipsed 90% for the first time for Merkle advertisers in Q2 2018.
- Instagram spend grew 177% Y/Y as impressions more than tripled. While Instagram remains smaller than Facebook for brands advertising on both, the gap got smaller from Q1 to Q2 2018.

AMAZON ADS

- Average CPC for advertiser brand name keywords jumped 30% Y/Y in Q2 2018. Brand CPCs have spiked in recent quarters, after falling by as much as 13% Y/Y in 2017.
- Bing Product Ad click growth accelerated to 110% Y/Y, but CPCs declined more sharply Y/Y. With similar CPC trending for text ads, total Bing and Yahoo search spending growth decelerated to 11% Y/Y, despite improving click growth.
- Phones and tablets produced 60% of search ad clicks across all platforms and 64% of Google clicks. iOS devices and desktop Safari alone produced 47% of Google clicks.

COMPARISON SHOPPING ENGINES

- Traditional comparison shopping engines continue to struggle to find traction on mobile devices, as 89% of all CSE clicks came from desktop in Q2 2018, a figure that has remained roughly the same over the past couple of years.
- Advertisers that continue to compete on CSEs saw sales from these platforms fall 23% Y/Y, a figure that does not reflect the advertisers which have given up on CSEs in recent years.
PAID SEARCH

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Phones and tablets produced 60% of search ad clicks across all platforms and 64% of Google clicks. iOS devices and desktop Safari alone produced 47% of Google clicks.
Facing Stronger Performance Comps, Search Spend Growth Slows

Total US search ad spending growth slowed to 17% Y/Y in Q2 2018 as growth for Google continued to decelerate, and a recent spending rebound for Bing and Yahoo faltered. Click growth held roughly steady at 7% Y/Y, while CPC growth fell from 13% in Q1 2018 to 10% in Q2 2018. Advertisers faced stronger year-ago growth comps in Q2 2018 for Google, as well as for the Bing and Yahoo search ad platforms.

Google Search Spending Growth Slips to 18% Y/Y as Desktop Weakens

Spending growth for Google search ads slowed for the third straight quarter, but still came in at 18% Y/Y in Q2 2018. Spend growth hit a peak in Q3 2017, as desktop delivered relatively strong performance. The surge was driven by a late 2016 change by Google to allow advertisers to segment desktop and tablet search ad bids. Over the last few quarters, however the benefit of that change to year-over-year growth rates has subsided.

Google Shopping Ads Growing over Five Times as Fast as Text Ads

Spending on Google Shopping ads was up 31% Y/Y in Q2 2018, more than five times the rate of growth for Google text ads. While Google text ad spending growth improved from 4% in Q1 2018 to 6% in Q2 2018, that rate remains well below levels seen throughout 2017. Impression growth for Shopping ads has been robust, likely cannibalizing impressions for text ads, which have shown weak to declining growth in recent quarters, even on mobile.
Google Desktop Search Spending Growth Falls to Seven-Quarter Low

Spending on desktop Google search ads grew 12% Y/Y in Q2 2018, their lowest rate of growth since Q3 2016. Desktop spending accelerated in late 2016, after Google began allowing search advertisers to segment desktop and tablet bids. Elsewhere, mobile Google search ad spend growth ticked up to 37% Y/Y in Q2 2018. Tablet spending declined 2%, up from an 11% decline a quarter earlier.

Click Growth Remains Weaker than Usual for Google Non-Brand Search Ads

Spending on non-brand Google Shopping and text ads grew 13% Y/Y in Q2 2018, down from 17% growth in the first quarter. Click growth for non-brand search ads continued to slow, coming in just 6% higher Y/Y. Average CPCs increased 8%, in line with Q1 results, but CPC growth remains well above early 2017 levels. Rising CPCs have coincided with improving conversion rates and sales-per-click performance for non-brand ads.

Price for Brand Keyword Clicks on Google Continues to Spike

The average CPC paid by Google search advertisers for keywords that included their own brand name rose 30% Y/Y in Q2 2018, while brand keyword clicks rose just 3%. Brand keyword CPCs had fallen as much as 13% Y/Y in mid-2017, following a Google change to Ad Rank that seemed to have the opposite effect on non-brand keywords. Brand CPC growth entered correction territory in late 2017 and remains elevated.
Google Minimum Search Ad Bids Up About 20% from a Year Ago

The minimum bids required for non-brand keyword ads to appear in Google’s results have come down from their Q4 2017 highs. However, they still ran about 20% higher in Q2 2018 than they did at the start of Q2 2017. Minimum bids began to spike in May 2017, around the time that Google made a confirmed change to its Ad Rank calculations. In the period since, advertisers have seen Google click growth slow, while CPC growth has risen.

Fewer Google Clicks Driven by Lower Position Search Ads

Through 2016 and early 2017, new search ad inventory in positions three and four at the top of the search results page helped Google drive large increases in click growth. In recent quarters, however, the impact of this lower position inventory has lessened, as a larger share of clicks has gone back to the ads at the top of the page. This shift has contributed to the overall rise in advertiser CPCs on Google.

Google Search Partner Click Share Hits New Low, Clicks Down 16%

Clicks from Google’s search partners were down 16% Y/Y in Q2 2018, compared to 7% growth for Google.com clicks. Search partner click share has been on the decline overall since mid-2016 and hit a new low of under 5% in Q2 2018. On phones, where Google’s partners have historically had less impact, partner click share was down from the previous quarter, but up slightly compared to a year ago. Partner traffic generally converts worse for advertisers and carries lower CPCs.
Revenue Per Click from Google Search Ads Higher Across Devices, Formats

With Google search ad CPCs rising across devices and ad formats, ROI-focused advertisers are still generating positive results, as the revenue per click that their Google ads are generating has also increased across segments. Mobile Google Shopping ads saw the biggest improvement in revenue per click in Q2 2018, rising more than 20%. Desktop Shopping ads revenue per click rose a more modest 4%, while text ad revenue per click rose 10% across both desktop and mobile devices.

Audience Targeting Used for 37% of Google Search Ad Clicks

Across Google’s RLSA, Customer Match, and similar audiences products, advertisers employed specific audience targeting for 37% of the Google search ad clicks they produced in June 2018. That rate was up from 21% a year earlier. The share of Google clicks associated with RLSAs has risen sharply since late 2016 when Google tripled RLSA list membership duration to 540 days.

Google Maps Share of Google Text Ad Clicks Holding Steady

For the past two years, brick-and-mortar advertisers have seen appreciable Google Maps traffic to their brand keywords via the “Get Location Details” click type. These clicks produced a little over 5% of Google phone text ad clicks in Q2 2018, up from Q1 2018, but slightly below a mid-2017 peak. In Q1 2018, Google began testing Local Search Ads Experiment campaigns, which do not rely on advertisers’ keywords and initially appear to be triggered exclusively by non-brand queries.
Retailers’ Non-Brand Google Traffic Increasingly Dominated by Shopping Ads

Google Shopping ads produced a little more than 59% of US retailers’ Google search ad clicks in Q2 2018, up from 53% a year earlier. Excluding brand keyword clicks, Shopping ads generated more than 82% of retailers’ Google search ad clicks in the quarter. Google’s recently launched Shopping Actions program appeared to have little impact across the broader sphere of advertisers running standard Shopping ads.

Showcase Shopping Ad Format Continues to See Strong Growth

Google’s Showcase Shopping ad format is still a relatively small contributor to retailers’ Shopping ad clicks, even among participating brands, but its share of mobile Shopping clicks has jumped in just the last three quarters. In Q4 2017, Showcase Shopping ads produced 1.6% of participants’ phone Shopping clicks, but that more than doubled in Q1 2018 and rose further to 4.4% in Q2 2018.
After rising across all seven product categories measured in Q1 2018, Google Shopping’s share of non-brand Google search ad clicks showed more mixed trends in Q2 2018. Three of seven product categories saw Shopping ads lose click share ground between Q1 and Q2, with consumer electronics seeing the biggest share declines. At the other end of the spectrum, the automotive category saw Shopping ads gain over six points of non-brand Google click share between Q1 and Q2.

Amazon Resumes Google Shopping Program After Brief Hiatus

Toward the end of April 2018, Amazon’s Google Shopping ads suddenly vanished from Google’s listings. This hiatus lasted two full weeks before Amazon reappeared in Google’s auctions, with a similar presence as it had before. Since it first began buying Google Shopping ads at the end of 2016, Amazon has made the biggest waves in home goods auctions. Its current share of home goods impressions is down from all-time highs, but still well above early 2017 levels.

Amazon Sticks to Familiar Product Categories in Google Shopping Auctions

When Amazon returned to Google Shopping auctions in mid-May it did not appear that it had changed its approach by broadening the number of product categories it advertised. In addition to general home goods, Amazon’s presence in Google Shopping auctions remains strongest within furniture and office supplies, with some more niche categories like novelty gifts and athletic apparel also seeing meaningful competition from Amazon.
Most Industries See Single-Digit Google Search Ad Click Growth

Across six major industries analyzed, five saw Google search ad CPC growth outpace click growth in Q2 2018. Health and pharma, retail and consumer goods, and financial services advertisers saw the largest increases in CPC. With the exception of health and pharma, which saw a slight Y/Y decline, all industries saw single-digit Google search ad click growth in Q2 2018. After a relatively weak 2017, travel search spending growth continued to improve, coming in 11% higher in Q2 2018.

Google Phone Click Share Rises Most for Retailers

Phones produced 61% of retail and consumer goods advertisers’ Google paid search clicks in Q2 2018, up from 56% a year earlier. Along with tablets, mobile devices produced 69% of retail and consumer goods clicks in the quarter, the highest rate across six major industries surveyed. Mobile continues to have a lesser impact for B2B search programs, where phone and tablets combined to produce just 27% of Google clicks.

Travel, Insurance See Smallest Gap Between Phone Click and Spend Share

Phones accounted for 41% of insurance advertisers’ Google search spending in Q2 2018 and 44% of their clicks, the smallest gap in spend and click share across six major industries. Travel advertisers also saw a relatively small gap, with phones taking 44% of spend and generating 50% of clicks. Despite seeing the largest share of clicks from phones, retail and consumer goods advertisers had the second-largest gap between phone spend and click share, following only B2B advertisers.
Bing and Yahoo Search Rebound Falters as CPCs Crash

Spending growth for Bing and Yahoo search ads decelerated sharply in Q2 2018 to 11% Y/Y, down from 30% growth in Q1. CPC growth dropped from 17% Y/Y in Q1 to a 10% decline in Q2. Bing Product Ad CPCs have been depressed by rapid mobile growth, but are also trending lower across individual device types. In addition, Bing brand keyword CPCs had mysteriously spiked in mid-2017, eventually increasing by more than 40% Y/Y for many advertisers. In Q2 2018, brand CPC growth slowed considerably to 9% Y/Y.

Bing and Yahoo Spend Growth Slows, Despite Higher Click Growth

Although Bing Product Ad click growth accelerated from 110% Y/Y in Q1 2018 to 147% in Q2, spend growth for the format slowed from 64% to 40% as CPC declines steepened from 22% to 43%. While most Product Ad click growth is due to mobile, where CPCs are lower, mobile Product Ad CPCs are themselves down 70% Y/Y. Bing and Yahoo text ads also saw higher click growth in Q2, but CPC growth decelerated sharply for both brand and non-brand keywords.

Bing Product Ads Now a Third of Bing Search Ad Clicks

Bing Products Ads have gained 13 points of Bing search ad click share in the past year and now produce 33% of all Bing paid search clicks. An influx of mobile traffic has fueled Product Ad growth, but desktop is also growing at a healthy rate. Excluding brand text ads, Product Ads produced 54% of advertisers’ Bing search ad clicks in Q2 2018, roughly the rate that Google Shopping ads produced for Google in late 2014.
US Phone Search Ad Click Share Rises to 53% Across Platforms

Phones produced 53% of search ad clicks across all ad platforms in Q2 2018, up from 48% a year earlier. Over the same period, tablet click share fell from 10% to 8%. The yearly gain in phone click share was helped by a significant contribution by the Bing Ads platform, which saw its own share of clicks from phones double. It has now been four years since tablets were irrevocably surpassed in click share by phones.

Phone and Tablet Search Spend Share Close to Reclaiming All-Time High

Phones and tablets combined to account for 40% of spend across paid search platforms in Q2 2018, close to an all-time high. Phone and tablet spend share had dipped in 2017, following Google’s late 2016 move to allow advertisers to segment bids for desktop and tablet, which led to renewed growth for desktop and a pullback on tablet spending. Phone spend share did hit a new high of 32% in Q2 2018, but remains depressed by relatively low share across Bing and Yahoo.

Bing Phone Click Share Doubles in Past Year Due to Product Ads

Bing Ads generated 25% of its paid search clicks from phones in Q2 2018, double the rate it saw a year earlier. That growth has been driven by Product Ads, where 53% of clicks were from phones in Q2 2018, up from just 10% in Q2 2017. For text ads, Bing’s phone click share has fallen slightly over the same period. At the same time, the share of its clicks that Google generates from phones and tablets is still nearly double the share that Bing and Yahoo see.
Overall Gap Between Phone & Desktop Search CPCs Impacted by Product Ads

Although Google has seen its gap between phone and desktop non-brand CPCs close over the last few quarters, large phone CPC declines for Bing Product Ads have kept the overall gap roughly flat in the past year. After falling precipitously compared to desktop CPCs beginning in late 2016, tablet CPCs have recently stabilized and managed to gain some ground back in Q2 2018.

Revenue Per Click for Mobile Devices Remains Well Below Desktop Levels

Phones produced an average online revenue per search ad click that was just 32% of desktop levels in Q2 2018. With phone CPCs at 41% of desktop levels for comparable traffic, advertisers are paying a premium for phone traffic that reflects other aspects of value including cross-device and offline behavior. Similarly, tablet revenue per click was 54% of desktop levels in Q2 2018, while tablet CPCs were 69% of desktop levels.

iOS Devices and Safari Nearing Half of US Search Ad Market

iOS devices produced 39% of all US paid search clicks in Q2 2018, up two points from a year earlier. With desktop Safari accounting for 6% of clicks, Apple held sway over 45% of the search ad market. For Google alone, iOS devices and desktop Safari produced 47% of search ad clicks. Google also commanded 85% of Firefox clicks, up from 72%, before it regained its status as the default search provider. However, Firefox produced just 3% of all search ad clicks in Q2 2018.
ORGANIC SEARCH & SOCIAL

Total site visits driven by organic search rose 2% Y/Y in Q2 2018, with phone visits growing nearly 11% in the quarter. Desktop organic search visits fell 5% in Q2 2018, an improvement from recent averages.

The share of all site visits produced by organic search was down slightly from Q1 to Q2 2018, but has largely stabilized in the last three quarters. On mobile devices, organic search produced 24% of site visits in Q2 2018.

Social media produced 3.7% of all site visits in Q2 2018, up from 2.9% a year earlier. On mobile devices, social media sites produced 4.6% of site visits in Q2 2018. Mobile devices accounted for over 77% of site visits driven by social media platforms in Q2 2018.
Organic Search Delivers Modest Site Visit Growth

Total site visits driven by organic search rose 2% Y/Y in Q2 2018, up from flat growth a quarter earlier. Organic search visits on phones grew nearly 11% in the quarter, up from 8% growth in Q1 2018, but down from 15% growth in Q2 2017. Desktop organic search visits fell 5% in Q2 2018, an improvement from recent averages and roughly in line with growth for desktop search ad clicks. Tablet organic search visit declines have also lessened in recent quarters.

Google and Bing Organic Search Growth Trends Improve

Facing stronger year-ago comps, Google organic search visit growth still improved nearly three points between Q1 and Q2 2018, coming at 2.4% Y/Y growth in Q2. Bing organic search visits fell 12% in Q2 2018, but that marked a big improvement from the previous quarter, which came despite accelerating Bing ad click growth. After losing its position as the default search provider for Firefox, Yahoo organic search visits have now fallen by over 30% Y/Y for three straight quarters.

Google Produces 96% of US Mobile Organic Search Visits

Google’s share of total site visits produced by organic search was 93% in Q2 2018, up from 91% a year earlier. On mobile devices, Google produced 96% of organic search visits in Q2 2018, up from 94% in Q2 2017. Google’s share gains have come primarily at the expense of Yahoo, which saw its share of organic search fall from 4% in Q2 2017, to a little under 3% in Q2 2018.
Organic Search Share of Mobile Site Visits Improves

The share of all site visits produced by organic search was down slightly from Q1 to Q2 2018, but has largely stabilized in the last three quarters. On mobile devices, organic search produced 24% of site visits in Q2 2018, a small increase from the previous quarter, but down one point from a year earlier. Before paid search mobile traffic share began to spike in late 2015, organic search produced roughly equal traffic share on mobile and desktop.

Mobile Share of Organic Search Visits Hits All-Time High of 55%

Phones produced 46% of organic search visits in Q2 2018, up from 42% a year earlier. For comparison, phones produced 53% of paid search clicks in Q2 2018. Conversely, tablets produced a larger share of organic search visits than paid search visits in Q2 2018. Between phones and tablets, mobile devices produced 55% of organic search visits, a new all-time high following a slight dip in share in late 2017.

Bing Sees Largest Mobile Click Share Gains for Organic Search

Mobile devices produced 22% of Bing organic search visits in Q2 2018, up four points from a year earlier – the largest gain across the three major US search engines. These results echo mobile’s increasing share of Bing paid search clicks over the same period. Still, far more of the organic search visits produced by Google come from mobile devices, which accounted for 59% of its organic search visits in Q2 2018.
Social Media Share of Site Visits Holding Steady in Recent Quarters

Social media produced 3.7% of all site visits in Q2 2018, up from 2.9% a year earlier. While social media has made decent traffic share gains in the past year, most of those occurred between Q2 and Q3 2017. On mobile devices, social media sites produced 4.6% of site visits in Q2 2018, a rate that has also run roughly flat for several quarters.

Instagram & YouTube Traffic Growing Much Faster than Other Social Platforms

Site visits produced by YouTube grew nearly 300% Y/Y in Q2 2018, while Instagram-produced visits rose 236%. Facebook, which accounted for a majority of social media-driven site visits in Q2 2018, produced 8% Y/Y visit growth in the quarter, down from 19% in Q1 2018. Other significant social platforms like Twitter and Pinterest delivered larger visit growth than Facebook, but still trailed Instagram and YouTube growth by a large margin.

Mobile Share of Social Media Visits Continues to Rise

Between phones and tablets, mobile devices combined to produce more than 77% of site visits driven by social media platforms in Q2 2018, up from 76% in Q1 2018 and about 69% in Q2 2017. As the largest social media site traffic producer for most brands, Facebook leads the way in these trends, both in terms of traffic levels and ad dollars.
Facebook spend, excluding Instagram, grew 40% Y/Y, even as impressions fell 17%. Quarterly mobile traffic share for Facebook eclipsed 90% for the first time for Merkle advertisers in Q2 2018.

Instagram spend grew 177% Y/Y as impressions more than tripled. While Instagram remains smaller than Facebook for brands advertising on both, the gap got smaller from Q1 to Q2 2018.
Facebook Spend Grows 40% Y/Y Even as Impressions Decline

Facebook spend (excluding Instagram) for advertisers on the platform since at least Q2 2017 increased 40% Y/Y, a slight deceleration from what was observed in Q1. Impressions declined 17% Y/Y for the quarter, but significant pricing increases continued to keep Facebook spend growth strong, as did increased ad engagement.

Instagram Spend Growth More than Four Times that of Facebook Proper

Advertisers investing in Instagram since last Q2 increased spend 177% Y/Y, far outpacing spend growth on Facebook proper. Average CPM went down modestly, but a 209% increase in impressions more than made up for the pricing decline. Given the same-client nature, these figures do not reflect the expansion in the number of brands adopting Instagram as part of their paid social programs over the last year.

Instagram Growing Relative to Facebook for Advertisers on Both

Facebook continues to be the largest and most widely adopted paid social platform for advertisers, but Instagram is quickly growing and attracting more brands to its platform. For the median advertiser actively bidding on both platforms, Instagram accounted for 23% as much spend as Facebook in Q2, up meaningfully from the 9% observed in Q1 2018.
Phones and Tablets Account for 92% of All Facebook Traffic

While Facebook has long drawn the vast majority of its ad traffic from mobile devices, Q2 marked the first quarter in which Merkle advertisers saw upwards of 90% of all Facebook clicks come from phones and tablets. Mobile spend share does lag click share, but still accounted for 82% of all Facebook investment for the quarter, up from 74% last Q2.

Facebook CTR Up Meaningfully Y/Y for Newsfeed and Right Rail Ads

In Q2 2018, ads featured in the Newsfeed had a CTR 44% higher than last Q2, while ads featured in the right-hand rail had a CTR 28% higher. The increase may be at least partially the result of Facebook’s January 2018 Newsfeed update, which reduced the number of unsponsored posts from publishers and brands. This ostensibly decluttered the experience for users and potentially drew clicks to paid listings that might have otherwise gone to unsponsored posts.

Facebook Audience Network Accounts for Small Share of Facebook Spend

The Facebook Audience Network allows advertisers to use Facebook audiences to target users in other mobile apps besides Facebook, extending the reach of these segments. While the share of Facebook spend (excluding Instagram) attributed to this network did grow Y/Y, it accounted for just 1.5% of spend in Q2 2018.
Advertisers Nearly Triple YouTube Spend Y/Y in Q2

Brands investing in YouTube advertising since at least Q2 2017 increased spend by 189% Y/Y, driven primarily by an increase in impressions, which grew 225% Y/Y. Of all YouTube ad spend, 79% came from phones and tablets in Q2 2018 for advertisers on the platform Y/Y, compared to 71% a year earlier, as mobile impressions increased much faster than desktop.

Paid Social Once Again Tops Video and Display in Mobile Spend Share

Dominated by Facebook, which produced 82% of its spend from phones and tablets during the quarter, paid social topped video and traditional display advertising in terms of the share of spend coming from phones and tablets in Q2 2018. Traditional display advertising regularly lags paid social and video advertising in mobile spend share.

Google Display Network Mobile Click and Spend Share Up Y/Y

The median advertiser on the Google Display Network Y/Y saw spend share coming from phones and tablets increase from 51% in Q2 2017 to 73% in Q2 2018. With mobile click share increasing from 68% to 76%, mobile CPC remains lower than that of desktop, but the gap has closed significantly over the past few quarters.
Amazon Sponsored Products spend grew 165% Y/Y in Q2 2018, while Headline Search Ads grew 162%. Sponsored Products continue to account for the vast majority of Amazon search spend, with Headline Search Ads and Product Display Ads accounting for just 12% of spend combined.

Clicks from both Sponsored Products and Headline Search Ads convert at about three and a half times the rate of Google Shopping ads, looking across all brands bidding on either format.
Brands investing in Amazon Sponsored Products since at least Q2 2017 increased spend on the format by 165% Y/Y in Q2 2018. Headline Search Ads spend increased 162%, while Product Display Ads spend declined 55%. Product Display Ads have the lowest sales per click of the three formats and are also only available to vendors, while Amazon’s other two ad formats can also be deployed by third-party sellers.

Across both vendors and third-party sellers, Sponsored Products accounted for 88% of all AMS spend in Q2 2018, up slightly from 86% in Q1. Headline Search Ads received 11% of Amazon ad spend, while Product Display Ads accounted for just 1%. Nearly all Amazon search advertisers bid on both Sponsored Products and Headline Search Ads, while Product Display Ads are limited solely to vendors.

Typically placed at the top of the Amazon search results page above Sponsored Products, Headline Search Ads continue to drive significantly higher CTR than Sponsored Products, of which there can be several shown per search. Product Display Ads, typically shown beneath the Buy Box on product details pages, have the lowest CTR of AMS formats.
Sponsored Product Clicks Provide Highest Value to Advertisers

Looking at the sales produced for advertisers from each click, Sponsored Products consistently provide the highest value among AMS formats, with Headline Search Ads producing a sales per click about 10% lower for the quarter. Product Display Ads significantly lag both of the other formats, with sales per click about 50% lower than that of Sponsored Products in Q2 2018.

Amazon Ad Clicks Convert at a Much Higher Rate than Google Shopping Ads

Looking at the median of all advertisers bidding on each format – such that the samples are different for each – both Sponsored Products and Headline Search Ads clicks convert at more than three times the rate of Google Shopping ad clicks. Importantly, many advertisers on Google Shopping do not sell on Amazon and thus don’t bid on Amazon’s ad formats, while some Amazon sellers don’t sell through Google Shopping.

Sponsored Products CTR Lags that of Google Shopping

Amazon Sponsored Products median CTR is less than half that of Google Shopping, largely due to the presence of Headline Search Ads at the top of Amazon search results. While Google Shopping ads do compete with text ads for clicks, they are typically shown above text ads when both formats appear. Headline Search Ads CTR was 42% higher than Google Shopping in Q2 2018.
COMPARISON SHOPPING ENGINES

Traditional comparison shopping engines continue to struggle to find traction on mobile devices, as 89% of all CSE clicks came from desktop in Q2 2018, a figure that has remained roughly the same over the past couple of years.

Advertisers that continue to compete on CSEs saw sales from these platforms fall 23% Y/Y, a figure that does not reflect the advertisers which have given up on CSEs in recent years.
Phones Account for Just 7% of CSE Traffic in Q2

CSE Traffic Share by Device Type
Q2 2018

Traditional comparison shopping engines (CSEs) continue to draw the vast majority of clicks from desktop computers, as phones and tablets combined to account for just 11% of traffic in Q2 2018. This is in line with the mobile traffic share observed over the last several quarters, as major CSEs like the eBay Commerce Network and Connexity have done little to gain phone and tablet traffic.

Connexity Phone CPC Continues Decline Relative to Desktop

While phone and desktop CPC were fairly comparable during most of 2017 on Connexity, phone CPC has been significantly lower than that of desktop through the first two quarters of 2018. Google paid search phone traffic has long been cheaper than desktop for most brands, as advertisers actively bid lower for mobile traffic to reflect lower mobile conversion rates, but Connexity advertisers do not have bidding controls to adjust bids by device type.

Connexity Maintains Large Share of Total Traditional CSE Spend

Spend share for the eBay Commerce network has been in steep decline since Q2 2017, when eBay decided to sunset product ads from showing directly on ebay.com. This greatly reduced the amount of available inventory for these ad units, and Connexity has grown to dominate CSE spend share in the quarters since, accounting for 86% of spend in Q2.
eBay Commerce Network CPC Continues Steep Decline

CPC for the eBay Commerce Network has declined since eBay product ads were discontinued from showing on ebay.com in May of last year, as eBay chose to focus the ad inventory on its own website on Promoted Listings, which keep users on site. Meanwhile, Connexity CPC increased 36% Y/Y in Q2 2018, continuing a streak of strong growth.

Sales for CSE Advertisers Fall Meaningfully Y/Y

Advertisers bidding on traditional CSEs saw sales from these platforms fall 23% Y/Y in Q2 after a 4% decline in Q1. Based solely on advertisers that continue to advertise on CSEs, this figure does not take into account the advertisers that have abandoned these platforms in recent years, as limited campaign management controls and poor performance have led many to turn CSE programs off.

Connexity Conversion Rate Comparable to Google Shopping

Looking at the median of all advertisers on each given platform – such that the samples studied are different for each – the conversion rate of Connexity and Google Shopping clicks is fairly similar, while the eBay Commerce Network significantly lags both. Google Shopping has a much higher share of traffic coming from mobile devices, however, which converts at a lower rate than desktop traffic for most advertisers.
DMR METHODOLOGY

Figures are derived from samples of Merkle clients who have worked with Merkle for each marketing channel. Where applicable, these samples are restricted to those clients who 1) have maintained active programs with Merkle for at least 19 months, 2) have not significantly changed their strategic objectives or product offerings, and 3) meet a minimum ad-spend threshold. All trended figures presented in this report represent same-site changes over the given time period. Unless otherwise specified, the data points in this report are derived from the North American market region.