

The Kenshoo Q4 2018 Quarterly Trends Report

Search, Social, and Ecommerce
Advertising Metrics and Insights



DIGITAL MARKETING 
QUARTERLY TRENDS REPORT

kenshoo

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Driven by brands looking to capture consumer magic during the holiday shopping season, the fourth quarter is always the biggest advertising period of the year.

For marketers, Q4 planning starts all the way back in Q2, with execution seriously ramping up in Q3. Q4 itself is an anxious time as results start to roll in and early success can trigger a big sigh of relief while early signs of poor performance mean that marketers will have to roll up their sleeves, work late nights, and squeeze every dollar of efficiency through carefully applied optimization throughout the entire season.

If you want to know what the big narratives will be for a new year, just look back to the previous Q4 as it is a strong indicator of how the following year will look. Marketers bring out the big guns for the holiday shopping season and launch new promotions, tactics, and creative. They might have been testing a new channel throughout the year and are ready to go all in when it matters most and consumer conversion rates are the highest. What marketers learn about their campaign strategy during this period is telling, because it will likely be reflected in Q1 and beyond.

For years, Kenshoo has published its Quarterly Trends Report (QTR) to help advertisers contextualize their efforts in a broader scope and better plan their next campaigns by comparing themselves against the aggregated trends. Our large and comprehensive set of data across a variety of advertiser verticals, marketing channels, and regions allows us to share an accurate view of the market.

The Kenshoo QTR dataset consists of advertiser activity over the previous 15 consecutive months consisting of more than:



500

billion impressions,



14B

billion clicks



\$6B USD

billion dollars in
advertiser spending

This dataset spans Kenshoo's publisher partners such as Google, Bing, Pinterest, Snapchat, Facebook, Instagram, and includes analyzed performance data taken from over **3,000** advertiser and agency accounts across **20 vertical industries** and over **60 countries**.

Here are some of the key storylines from Q4 2018's advertising data that we predict will be even bigger headlines in 2019:



Search Advertising, digital marketing's largest and most mature channel, had a healthy 14% year-over-year (YoY) growth in spending, with YoY decreases in CPC and CTR driven by shopping campaigns



Instagram spending is up 120% YoY and continues to be a major driver of Social Advertising growth



In 2018, **Ecommerce Channel Advertising**, led by Amazon, grew tremendously and joined the ranks of mature channels such as Search and Social

We will cover these top themes and more as we take a deeper dive into Search, Social, and Ecommerce advertising performance from Q4 2018.

The 2018 Cyber 5

In the early days of the Internet, Cyber Monday (the Monday after Black Friday) emerged as a key date for online shopping. Now, as online shopping has become more mainstream, the five days of Thanksgiving, Black Friday, the weekend, and Cyber Monday are all now considered critical online shopping days and dubbed the “Cyber 5”.

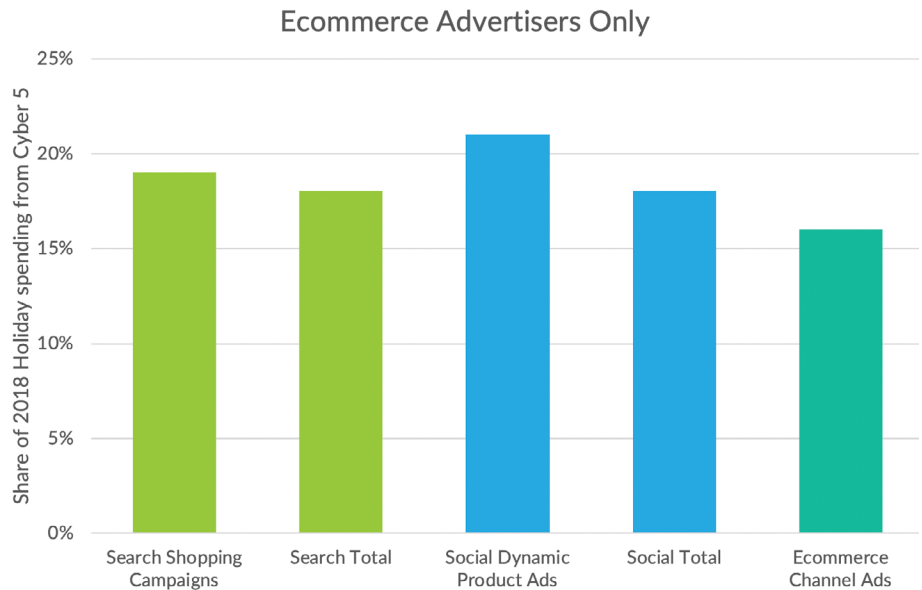
The Cyber 5 includes Thanksgiving, Black Friday, Saturday, Sunday, and Cyber Monday.

Advertisers certainly spent heavily on these days. The Cyber 5 only represent 9% of the holiday shopping season (November 1st thru December 25th) yet garnered over 15% of the spend during the period including 21% of budgets allocated to Social Dynamic Product Ads.

Advertiser Focus on the “Cyber 5”

The five days between Thanksgiving and Cyber Monday are only 9% of the total days between November 1 and December 25

As a share of holiday spending, these five days constitute a much bigger segment.

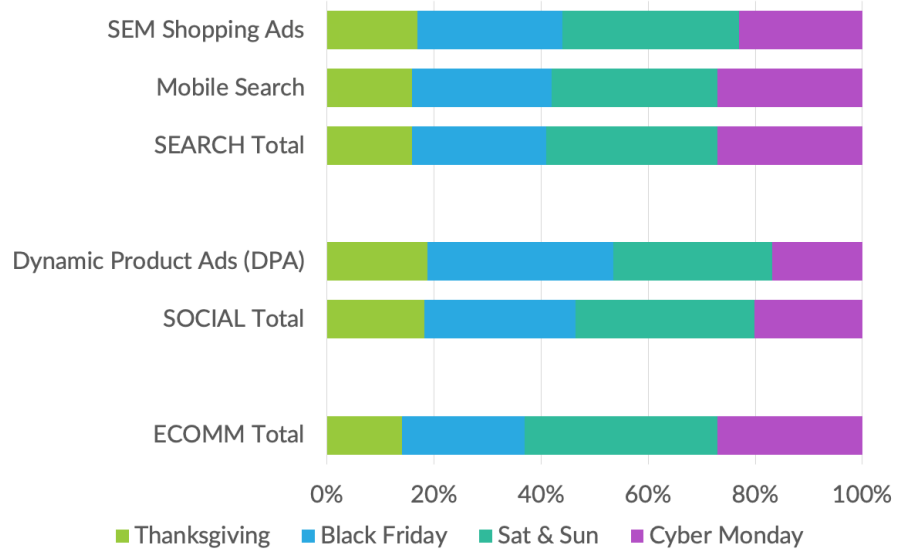


Share of Spending during “Cyber 5”

Within the Cyber 5 itself, Cyber Monday is still the prime day of the bunch for overall Search and Ecommerce Channel Ads, but Black Friday was the big investment for Search shopping ads, Social Dynamic Product Ads, and overall Social.

Cyber Monday was a bigger share of total spending for the Cyber 5 for overall Search and Ecommerce Ad spending

Search shopping ads, Dynamic Product Ads across Facebook and Instagram, and overall Social spending favored Black Friday



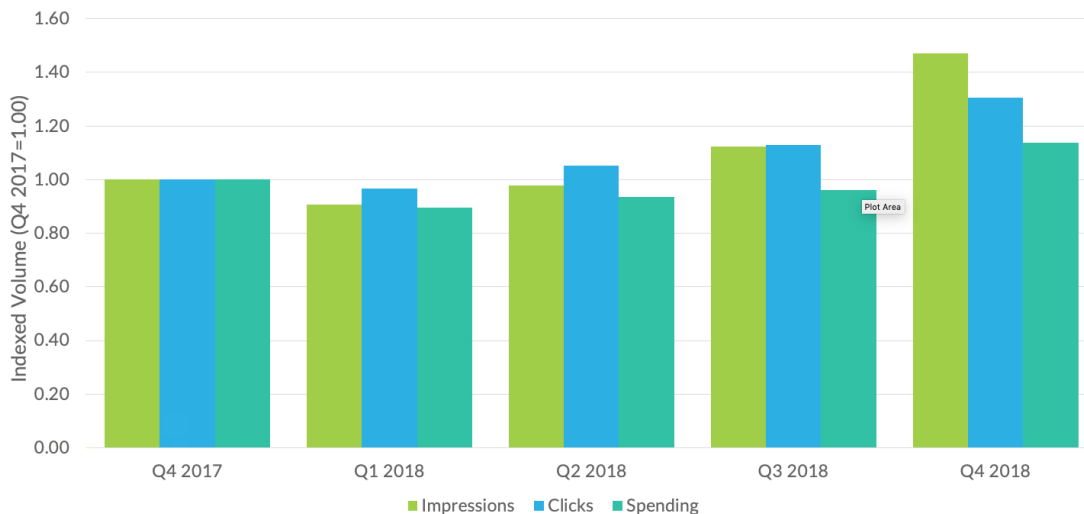
Search Advertising Performance Q4 2018

According to eMarketer, brands invested over \$120 billion on search advertising in 2018 worldwide and predictably a big share of that amount came in the last three months of the year, as it always does.

Spending on Paid Search in 2018 looked a lot like it has for the last decade. Advertisers spent a bit lower in Q1 than in the previous Q4 but then slowly crawled up throughout the year until the big spike in Q4. 2019 will likely follow this pattern as well.

Search Trends

Search Volume Growth



	QoQ	YoY
Impressions	+31%	+47%
Clicks	+16%	+31%
Spending	+19%	+14%

What’s interesting to note here is that while spending was up 14%, clicks and impressions were up even higher at 31% and 47% respectively. How does this happen?

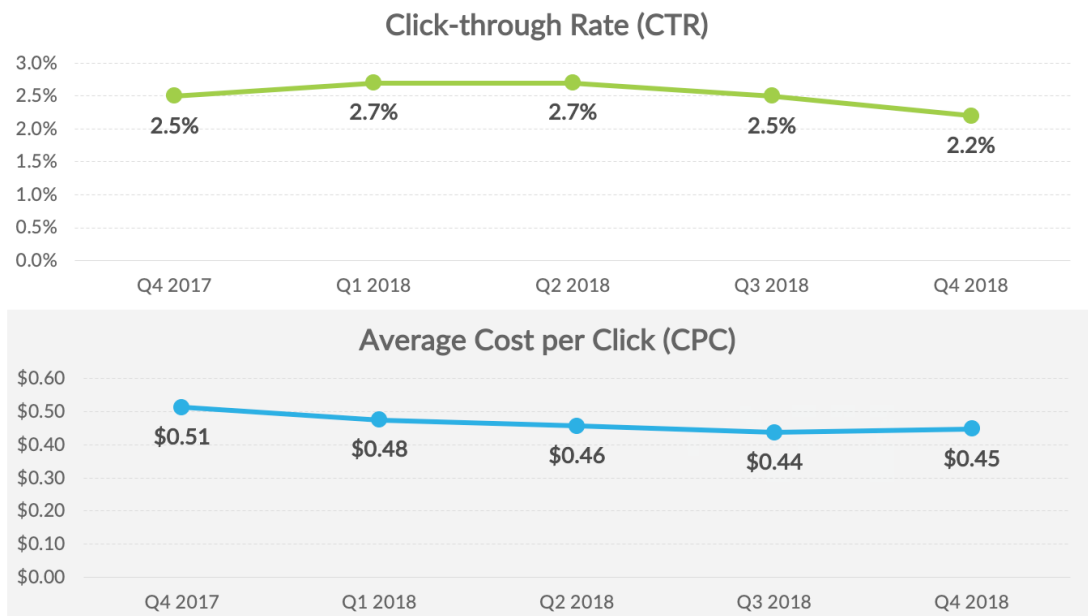
Simple math dictates that higher budgets will drive more impressions and clicks. But, there’s more to the story. Because in Q4 2018, the average click-thru rate (CTR) was 2.2% versus 2.5% in Q4 2017 and the average cost-per-click (CPC) was down to \$0.45 from \$0.51 from the previous year, those higher budgets in Q4 2018 disproportionately drove a lot more impressions and clicks than what the spending increase would dictate.

In Q4 2018, the average **paid search CTR** was **2.2%** (versus 2.5% in Q4 2017)

One explanation for this is that the effectiveness of Search shopping campaigns combined with the ubiquity of mobile means shoppers can look for anything, anywhere, anytime. Advertisers are responding by building ads all the way down to the individual items and SKUs that may only get a handful of searches, but unique enough to have less competition for those ads, which keeps CPCs low.

Search Trends

QoQ	YoY
Click-through Rate	
-12%	-12%
CPC	
+2%	-13%

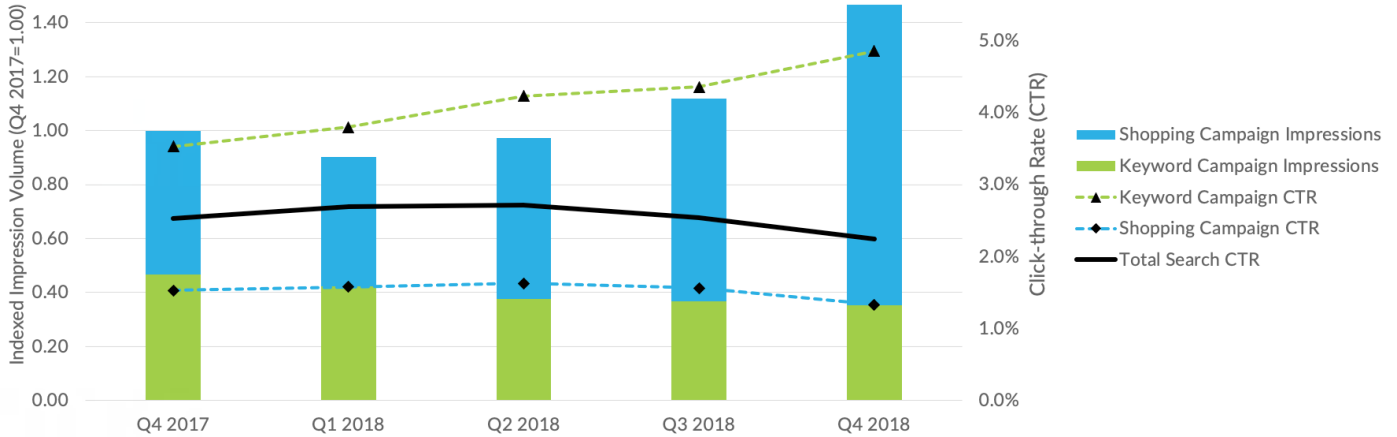


Search Shopping Campaigns

Retailers invested heavily in shopping campaigns, which were up 34% YoY and jumped a whopping 81% from the previous quarter. As you can see from the chart below, shopping campaign impressions continue to outpace keyword campaign impressions throughout 2018.

3 out of every 4 dollars spent on shopping campaign impressions were on mobile devices while spend on mobile shopping campaigns was up 52% YoY and 87% quarter-over-quarter.

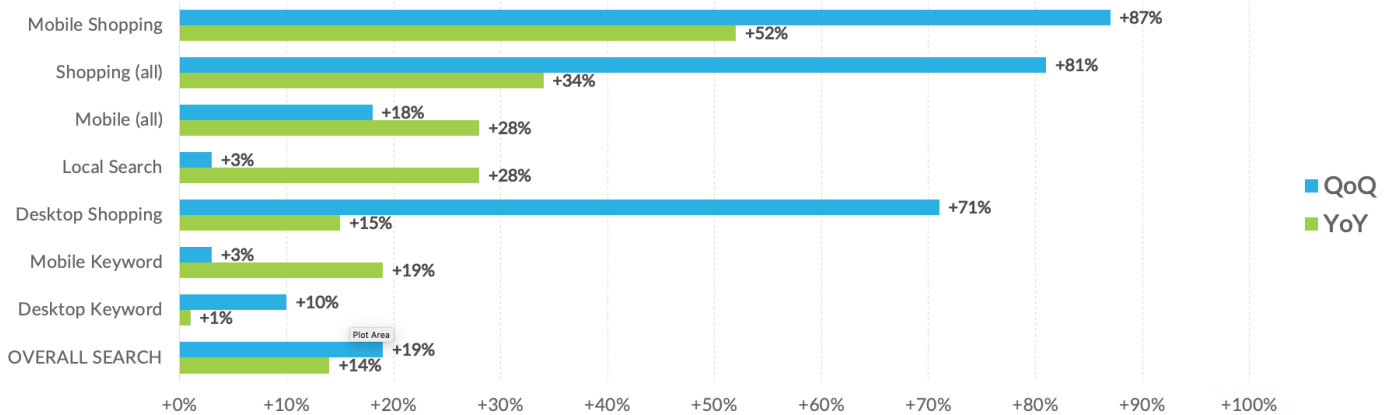
Search Shopping Campaign Impact



Marketer Insight

If you are a retailer and aren't spending a significant amount of your paid search budgets on shopping campaigns, then you are way behind the curve. Search shopping campaigns have proven to be an incredibly efficient ROI channel. Even though they are a bit different than standard keyword search, as indicated by this data, advertisers are finding them to be very attractive as they continue to invest more and more of their time and budgets into this format.

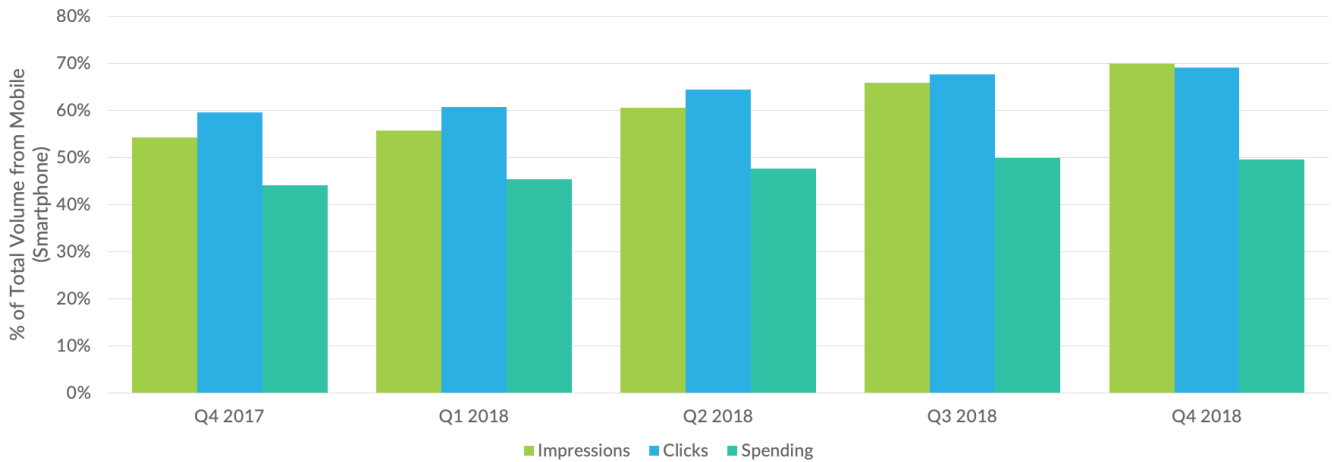
Key Drivers for Search Growth



Mobile Search

In terms of where search ads were running, mobile devices accounted for more than 50% of spend now for the second consecutive quarter. And for many advertisers, their share of mobile search was even higher. In fact, 58% of Kenshoo advertisers had at least 50% of search spending on mobile, and 79% of mobile search spending came from those advertisers.

Mobile Share of Search

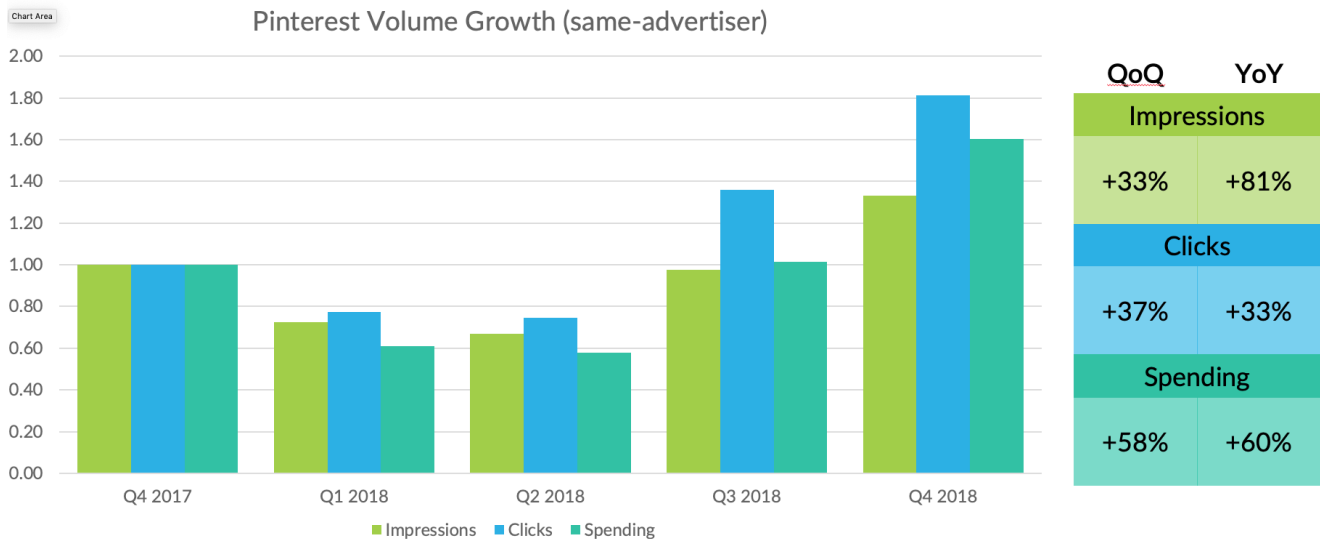


Pinterest

Marketers really saw the holiday shopping season opportunity with one of the newer search channels, Pinterest, which was up 58% in Q4 2018 compared to Q3 2018.

Up **58%**
in Q4 2018 compared to Q3 2018

Pinterest Growth



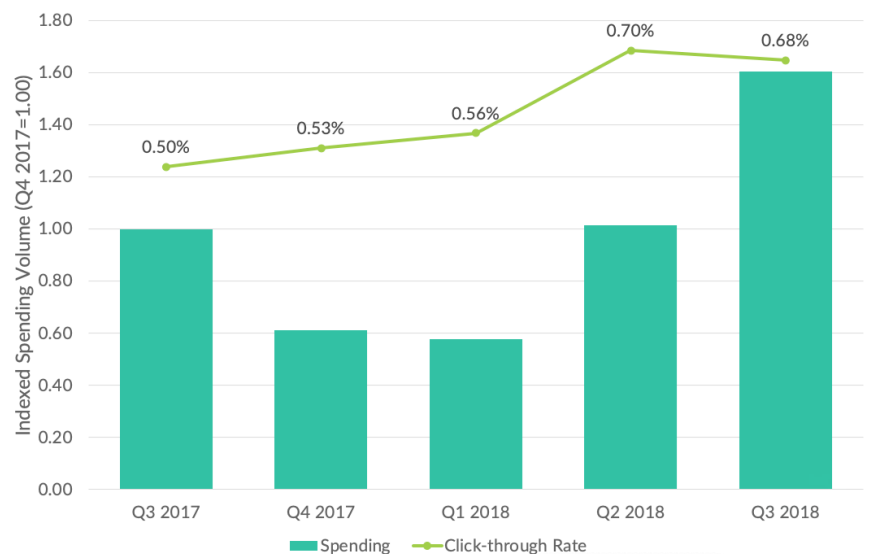
Notice how engagement on Pinterest ads spiked in Q3, with a CTR of 0.70% versus just 0.56% in Q2. This is a trend we often see with Pinterest. Because its role in the consumer shopping journey is very high up the funnel as a discovery platform, consumers are often browsing for gift ideas well before the traditional shopping season starts.

PINTEREST

Engagement Grows Ahead of the Holidays

Pinterest spending spiked by 58% in Q4 compared to the previous quarter

Engagement with Pinterest ads increased well ahead of the holiday season, leading to the planning nature of the channel



Marketer Insight

Pinterest is a unique channel for building awareness high above the standard purchase funnel when consumers aren't even browsing but researching ideas. So, if you plan to use Pinterest for peak shopping days—not just the Q4 rush, but even Valentine's Day, Mother's Day, etc.—make sure to set your campaign flight dates much earlier than you would for most channels in order to take advantage of this earlier browsing behavior.

Social Advertising Performance Q4 2018

Social Advertising has matured over its short life span. What once was just a channel for driving awareness and engagement has become a true ROI vehicle that brands can count on to drive sales and revenue. Social advertising spend has increased in double digits every year since its inception and those dollars are coming from other channels—such as TV and online display—that aren't delivering results the way that Social has shown that it can.

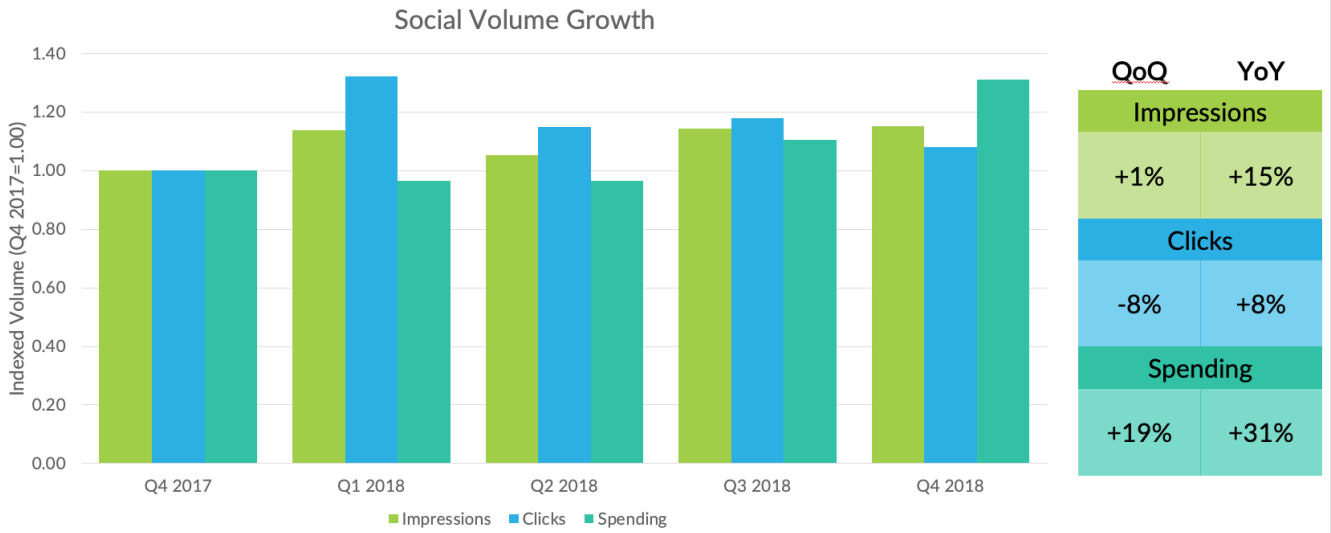
Social spend in Q4 2018 was up 31% year-over-year. The fact that it was up 19% quarter-over-quarter indicates that marketers see the value of social advertising throughout the year, and not just for the biggest shopping season.

Social Spend

Up **31%**

year-over-year

Social Trends



Unlike in Search, where clicks and impressions were up disproportionately to spending, Social clicks and impressions grew YoY (8% and 15% respectively) but at a slower pace than spending. This is chiefly because the cost of social advertising increased 14% YoY and 18% QoQ as marketers paid a premium for ads during the Q4 2018 holiday shopping season. Unlike Search, which is 100% click-based pricing, Social advertisers can choose to pay CPMs for guaranteed reach and frequency goals and set the market themselves. With CPMs up for Q4, the assumption could be made that marketers knew they'd need to pay more during the season and set their budgets accordingly.

Cost of social advertising

Increased

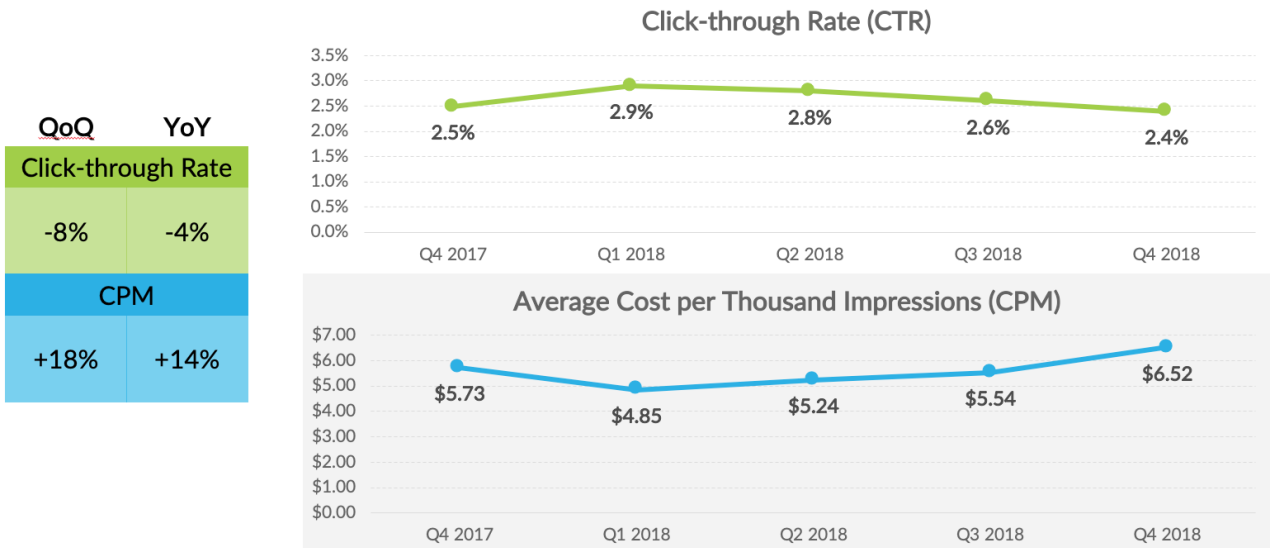
14% YoY

and

18%

as marketers paid a premium for ads during holiday shopping season

Social Trends



Social Video

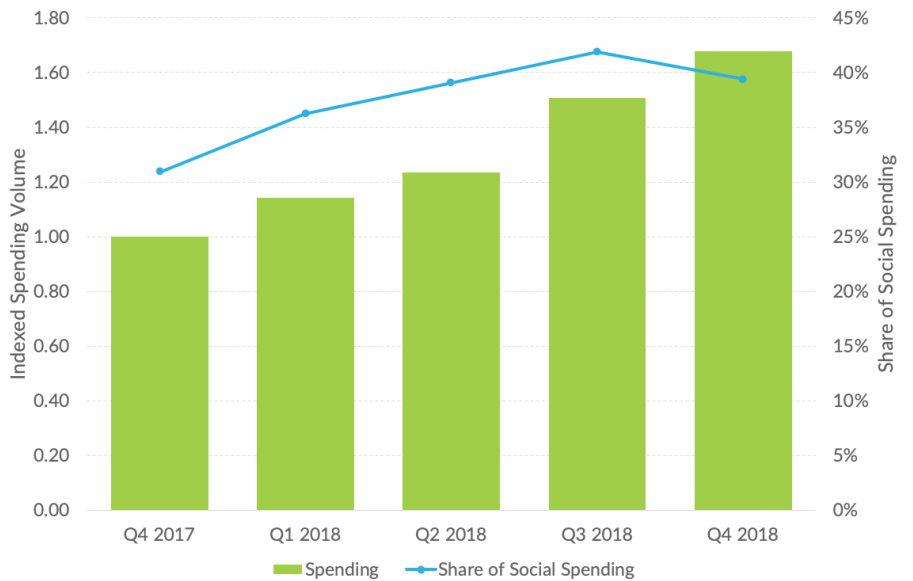
For some time now, the rise of online video advertising has been linked to the increased marketer investment to Social and that trend continued with a 62% YoY increase in social video ads in Q4. The quarter also represented the fifth consecutive quarter that social video spending has increased.

62% YoY
increase in social video ads in Q4

This includes the quarter-over-quarter jump from Q4 2017 to Q1 2018, which is even more impressive for this ad format because overall social spend was down between those two quarters. This means that even though marketers lowered their budgets between Q4 and Q1, they continued investing in social video during that time.

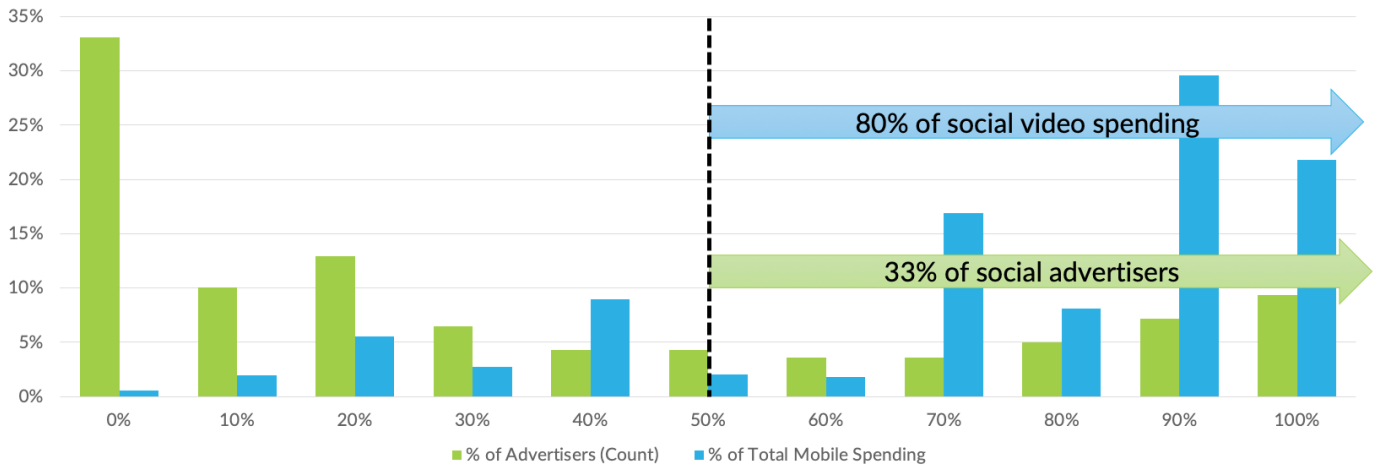
Social Video Growth

- Spending on social video ads has grown consistently over the past five quarters
- As a share of total social spending, video has centered around 40% since Q2
- 33% of social advertisers had a majority of social spending on Video in Q4, and were responsible for 80% of social video spending in the quarter



Another interesting data point from this analysis is that social video advertising was driven largely by 1 out of 3 advertisers who spent at least half of their social budget on video in Q4 while another third of social advertisers didn't spend on video at all. Traditionally, video ads require dedicated resources to produce so one underlying factor may be that online video ads are mainly utilized by brands that already have those resources—for example, they may also spend heavily on television—and can repurpose those assets for use online.

Q4 Video Share by Advertiser



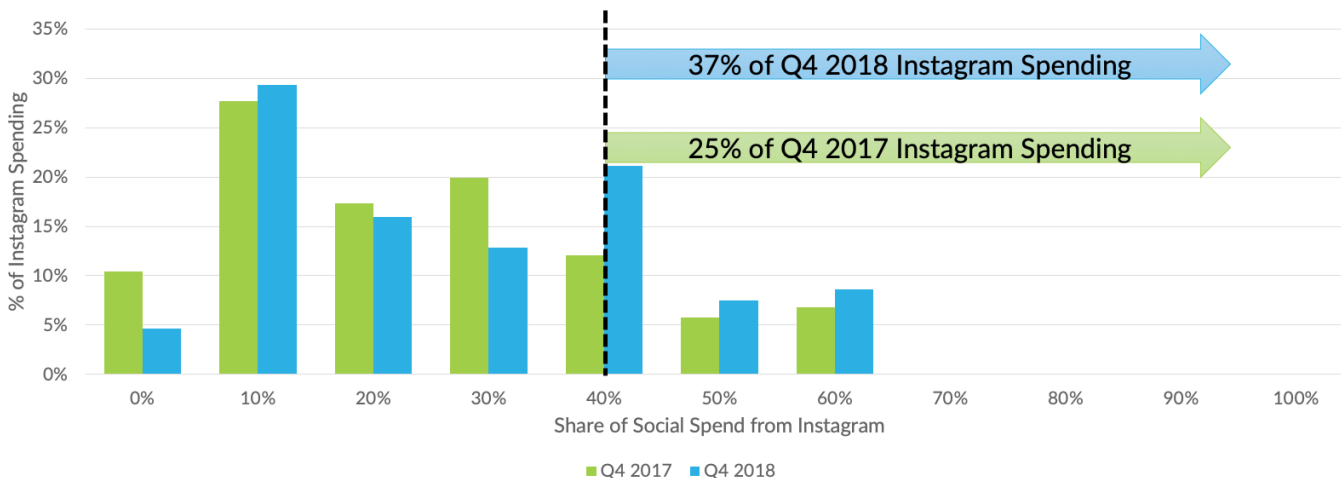
Instagram

Instagram was up 120% year-over-year in Q4 2018. The headline-making Stories Ads now make up 10% of all Instagram spend, up from 8% in the previous quarter.

For a few years now, Instagram has been building steam and is now the second largest social ad platform in the world. It has helped its parent company, Facebook, to remain dominant in advertising by staying relevant with a younger generation that is deeply engaged with the visual-heavy format. 37% of Q4 2018 Instagram spending came from advertisers with at least 40% of their total Facebook spending on Instagram, up from 25% last year.

However, what is also clear is that brands that advertise on Facebook and Instagram rarely spend more than 50-60% of their total budget on Instagram. So, as fast as Instagram is growing, Facebook is still dominates the share of wallet.

Instagram by Advertiser, Year-over-year

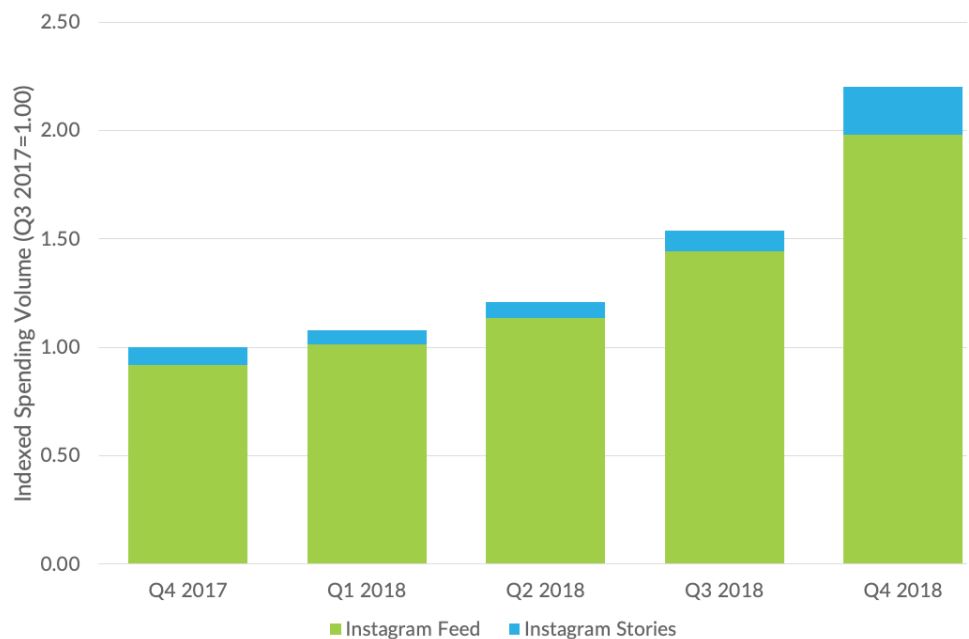


Even though Instagram has quickly grown to be a powerhouse channel, in the advertising industry, it is still considered fairly new. Marketers generally need some time to test and learn before they're willing to heavily invest. In Q4, the majority of Instagram spending growth came from existing advertisers (defined as ones who have been on Instagram for over a year). In fact, advertisers who have been using Instagram Ads since 2017 spent four times more on the channel than those who only started spending on Instagram Ads in 2018.

Instagram Growth

Instagram Spending more than doubled compared to Q4 of 2017, and increased 43% over the previous quarter

Instagram Stories grew faster than Instagram feed, increasing its share from 8% of total Instagram spending to 10%



Marketer Insight

It takes time to understand a new advertising channel. Even if Instagram doesn't feel very new to the average consumer, it's still coming into its own in terms of advertising, and 2018 saw a rush of new brands willing to give it a try.

But even if the safe course of action is to test and learn, marketers need to know that hungry competitors might find ways to capture new market share by being aggressive with these newer opportunities. Be on top of new formats and strategically test them out earlier in the year when costs are lower and the risk is less so you can go aggressive when it matters most.

Ecommerce Channel Advertising Performance Q4 2018

Marketing pundits love to declare “this is the year for...” and if 2018 was “the year” for anything, it certainly was for Ecommerce Channel Advertising (ECA), led largely by Amazon Ads.

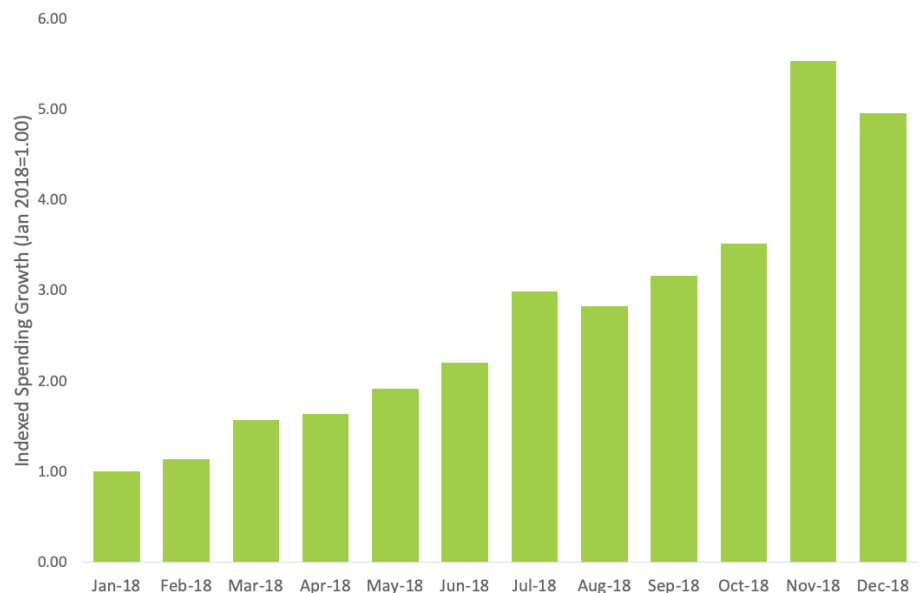
ECA are ads that appear within an online store. Instead of using ads from around the web to drive consumers to a storefront, ECA has the advantage of capturing in-market consumer attention while they are actively shopping or browsing. There’s a trusted axiom for web marketers which states that “every time you require a consumer to continue a path on to another website, there’s going to be drop off.” With ECA, there’s virtually no drop off. For a consumer to take action, they don’t have to leave the website they’re already on.

Total monthly spending with ECA on Kenshoo increased by a factor of 5X in December compared to January. This aligns with the industry trend in which Amazon Ads, the leading ECA publisher, made news last year by becoming [the third biggest digital ad seller in the U.S.](#) Industry forecasters strongly believe that the channel will skyrocket in the coming years.

Ecommerce Channel Advertising Trends

Monthly spending on Ecommerce Channel Ads (ECA) has increased by 5X since January

This includes all advertisers managing Ecommerce Ads on the Kenshoo platform



Note - All other data points within this report are based on a “same store” analysis, meaning, that only advertisers spending for the full five quarters of analysis are used to calculate Quarterly Trend Report metrics. This helps to normalize the data to make sure that big advertisers either coming on or leaving the Kenshoo platform won’t skew the data. However, because of the rapid year-over-year growth of this channel, the most accurate depiction of its maturity is to compare it against itself in 2018. This is the same approach analysts used during the early days of Search and Social.

Summary

Q4 2018 was as action-packed for marketers as any previous Q4. Search and Social remained incredibly solid and are clearly leading the pack for digital advertising investments. Ecommerce Channel Ads ended the year strong and signaled that it's here to stay and ready to compete for investment within the marketing portfolio.

Search Advertising, digital's most mature and top spending marketing channel, had a healthy 14% year-over-year (YoY) growth in spending with more than half of all spending now on mobile devices for the second consecutive quarter. Retailers invested heavily in shopping campaigns, which were up 34% YoY and 81% up from the previous quarter. Mobile search shopping campaigns continued to be the fastest-growing segment across search advertising up 52% year-over-year and 87% quarter-over-quarter.

Social Advertising meteoric growth continued, up 31% over last year's Q4. Instagram spending was up 120% YoY and continues to be a major driver of Social Advertising growth. Social video ads represented 40% of Social spend in Q4 which was the same as Q3 and seems to be where advertisers have landed on its role in the Social media plan.

Ecommerce Channel Ads, led by Amazon, garnered a 5X in monthly spend between January 2018 and December 2018. Marketers spent heavily on ECA for the key Cyber 5 days, but the fact that they also invested throughout the quarter and during the holiday shopping season demonstrated how strong marketer confidence is in the channel. 2019 should be a huge year for ECA

Methodology

Except where noted, analysis is based on Kenshoo advertisers with 15 consecutive months of performance data taken from a population of over 3,000 advertiser and agency accounts across 20 vertical industries and over 60 countries, spanning Google, Bing, Baidu, Yandex, Yahoo!, Yahoo! Japan, Pinterest, Snapchat, Facebook, Instagram and the Facebook Audience Network. Some outliers have been excluded. The resulting sample includes more than 600 billion impressions, 14 billion clicks and \$6 billion (USD) in advertiser spending.

Ad spending and CPC are measured using Ex-FX or “Constant Currency” adjustments, where results are based on native currency, and only translated to common currency after aggregation.

About Kenshoo

Kenshoo is the leading technology platform for brands looking to plan, activate and amplify effective marketing across the most-engaging digital channels. Kenshoo offers the only marketing solution that provides data-driven insights and optimization technology to help make informed decisions and scale performance across Google, Facebook, Bing, Pinterest, Snapchat, Instagram, Amazon, Apple, Yahoo, Yandex, Yahoo Japan, and Baidu. Kenshoo’s machine-learning algorithms and cutting-edge AI enable companies to predict and keep in-step with the ever-changing consumer journey. With 27 international locations and backed by Sequoia Capital, Arts Alliance, Tenaya Capital, and Bain Capital Ventures, Kenshoo generates over \$350 billion in annualized revenue for the world’s top brands. Please visit [Kenshoo.com](https://www.kenshoo.com) for more information.

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Thank you for reading the Kenshoo Q4 2018 Quarterly Trends Report.

Digital marketing seems to be moving at lightspeed, and you need the right technology partner to help you take move with the market and stay ahead of your competitors.

With **Kenshoo Search**, make smarter, faster decisions, stay ahead of the SEM innovation curve and achieve next-level performance with the award-winning, industry leader in paid search innovation.

See what our clients are saying

Resolution Media Hits Goals for Global Apparel Designer with Predictive Forecasting & Optimization

"Kenshoo's forecasting tool saves us time each and every day and ensures that we are always hitting our client's goals."

-Oliver Lee, Advertising Strategist, Resolution Media

eFlorist Launches Search Programs Across Locations Quickly and Easily

"Kenshoo's campaign automation simplified the launch process for us and enabled us to get new search programs for all of our local florists up and running quickly and easily."

-Charles Queen. Senior SEM Manager, eFlorist & teleflora©

Rakuten Marketing Improves ROI for PacSun by 78% with KPO

"...Kenshoo added a higher-level of optimization to our shopping program. Not only did it deliver success on top KPIs, but it also enhanced the program with the perfect level of automation to reduce time on manual campaign management."

-Yuly Gonzalez, Director of Client Services, Rakuten Marketing

With **Kenshoo Social**, marketers can leverage a power tool for social advertising. Make short work of campaign operations and gain time for analyzing performance and driving business results.

See what our clients are saying

Kenshoo Creative Manager Drives Beautiful Results for Walgreens Soap & Glory

"Creative Manager simplified creative management for Soap & Glory, saving time and allowing our team to focus on the more strategic aspects of campaign management."

-Brooke McKay, Digital & Marketing, Walgreen's

Vistaprint Scales Facebook Advertising for Success

"The simplicity of the Kenshoo platform and its campaign creation tools have decreased the time spent on creating Facebook campaigns significantly for our team. Also, the ability to create custom metrics on their platform enabled us to analyze and optimize our campaigns in an ideal way. We are in frequent contact with Kenshoo's account management, they are very responsive and provide insightful feedback."

-Christoph Globke, Marketing Specialist, Online Display & Social Media - Vistaprint

With **Kenshoo Ecommerce**, vendors, sellers, and brands can create, manage, forecast and optimize product-driven campaigns at scale. Take Amazon advertising to new heights and understand your products like never before.

See what our clients are saying

Chacka Marketing Achieves 156% YoY Revenue Growth for Their Client, Fueled by the Early Adoption of Kenshoo E-Commerce

"With Kenshoo E-Commerce, I can access my product data with custom date ranges, helping me better analyze and manage all campaigns, keywords, and ads. Their simple, but powerful tool has turned hours of work into minutes - leaving time for actual optimization that impacts performance while saving me time and making my client happy."

-David Grow, Digital Media Director, Chacka Marketing

Mindshare Boosts ROAS 44% for Kimberly-Clark's Product-Driven Campaigns with Kenshoo E-Commerce

"Partnering with Kenshoo to help design an elegant technology solution to an obstacle our teams have experienced, has further opened the door to more efficiently manage Amazon Marketing Services buys...and with Kenshoo's search and social data as a gauge, potential visibility with this new solution is undeniable."

-Clint Armstrong, Sr. Partner, Group Director, Search & Social at Mindshare

Performics@Starcom Elevates Their CPG Client's Amazon Marketing with Kenshoo E-Commerce

"I've saved so much time using Kenshoo to manage AMS campaigns. Making bid adjustments in bulk and monitoring ASINs daily has changed everything. We can make granular optimizations and we're seeing impact even after one month, higher revenue & ROAS while also lowering CPCs."

-Caleb Erickson, Associate Director, Performics@Starcom Practice

For more information, visit www.kenshoo.com to contact us or sign up for a free demo.

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