

THE STATE OF

PPC



SEARCH IS A POWERFUL CHANNEL, BUT IT NEEDS SUPPORT.

Search by itself is a powerhouse full of intent, but it increasingly needs the support of other media in order to increase brand recognition while also preventing ad fatigue and increased annoyance with your brand.

The rise of better audience targeting and machine learning capabilities in search, social, and among new tech businesses have resulted in more personalized experiences for users and proactive, more advanced marketers overall. As technology becomes smarter, so will we, but it will be the marketers who learn how to build comprehensive, customized strategies to their target audiences and make continuous optimizations that will come out ahead of their competitors.

With the State of PPC, Brainlabs' annual survey of the pay-per-click (PPC) advertising industry, we look under the hood of advertising's fastest-growing industry and find out what makes it tick year by year.



ABOUT THIS REPORT (CONT.)



THE STATE OF PPC



This year, hundreds of search marketing professionals—both influencers and decision makers from a variety of brands and digital marketing agencies—completed our survey and collectively reached some very clear conclusions, including:

ONLY 9%
**OF MARKETERS ARE
ADVERTISING ON
amazon**

However, the platform accounted for 44% of ecommerce sales in 2017.

79%
**OF MARKETERS SAY
THAT PPC IS A HUGE
DRIVER FOR THEIR
BUSINESS.**

The benefit of having a paid advertising strategy can't be contested.



**AI/MACHINE
LEARNING**

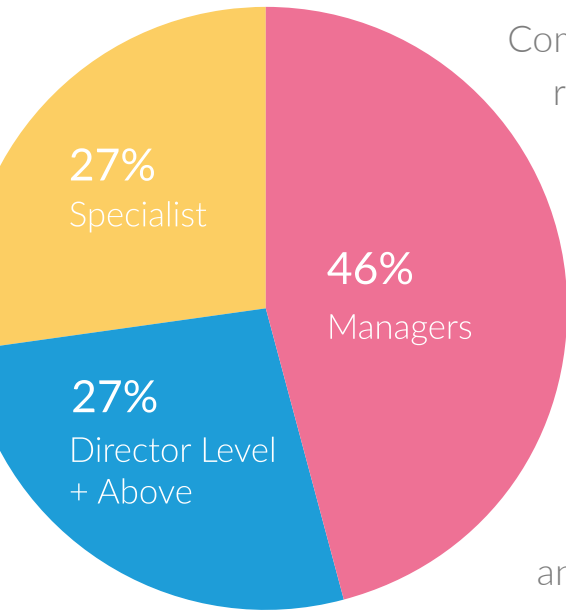
was seen as the most important aspect of the digital marketing industry over the last 12 months.

Keep reading for the most comprehensive statistical breakdown of the digital ad industry to date—and to draw your own conclusions about where we're headed.

Disclaimer: Our data in this report is based on both full and partial submissions. Partial submissions include participants that responded to some of the questions, but not all. Data was derived from the total number of respondents for that particular question.



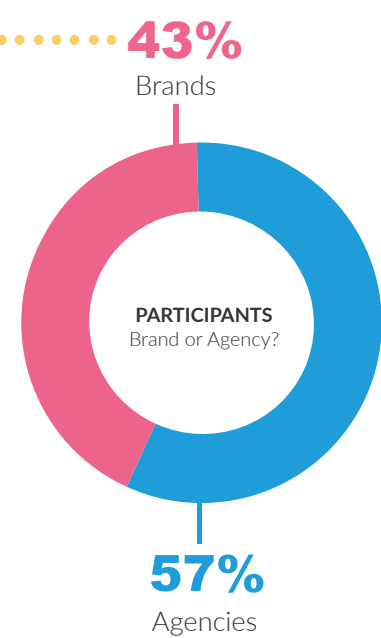
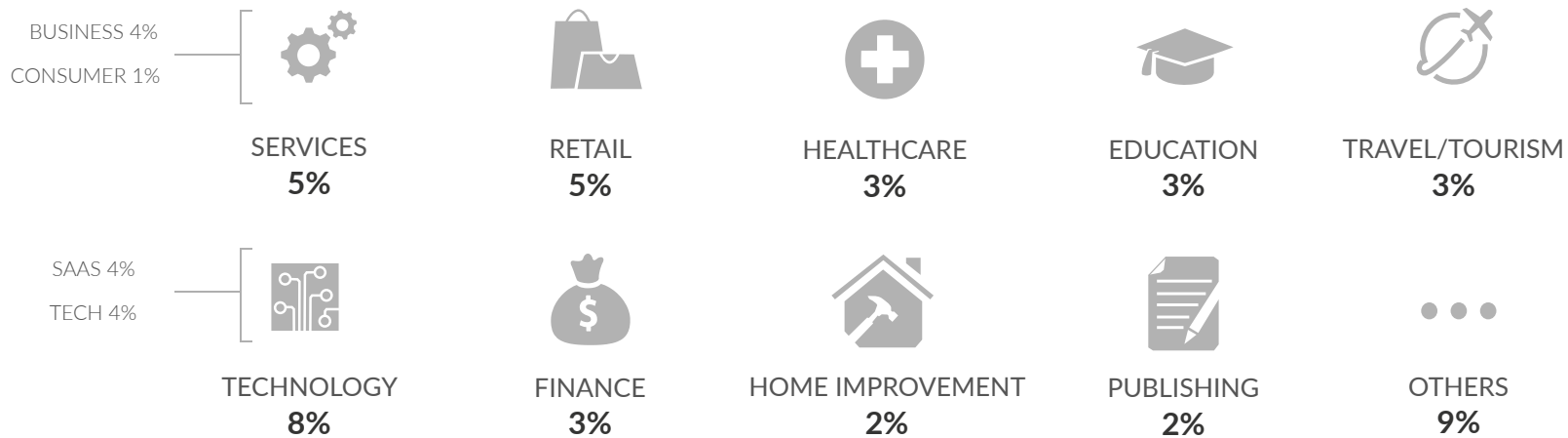
THE PARTICIPANTS



Compared to last year, we had the same split of agencies versus brands, with 14 verticals represented this year in the data.

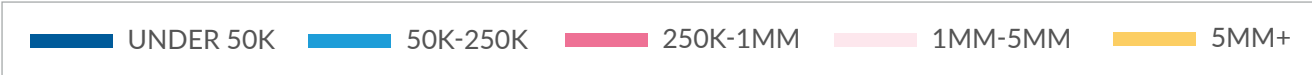
Last year, 21% of marketers said they were specialists compared to this year's 27%. As the PPC industry becomes more complicated with the introduction of new platforms (i.e. Amazon & Quora) and new ad formats, marketers need to dig deeper to fully understand how their business can best take advantage of these different opportunities. Simple strategies across search and social, like only boosting your posts on Facebook, will no longer suffice. PPC is complex and only getting more complex year after year. Make sure you have a specialist on your team in PPC, and if you don't, reach out to an agency.

BRAND BREAKDOWN BY INDUSTRY > 43%



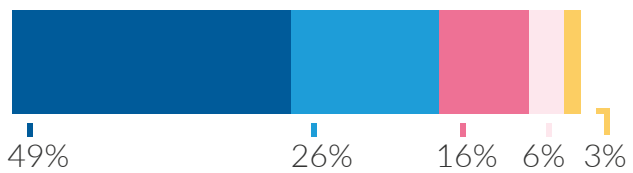
MONTHLY PPC BUDGET

(Includes aggregate of search, social, display, programmatic, etc)

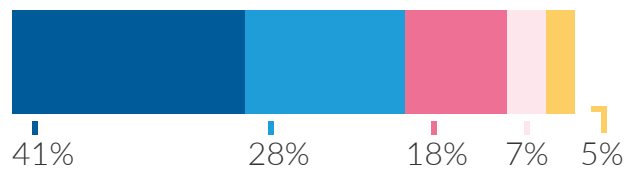


BREAKDOWN OF TOTAL RESPONDENTS BY YEAR

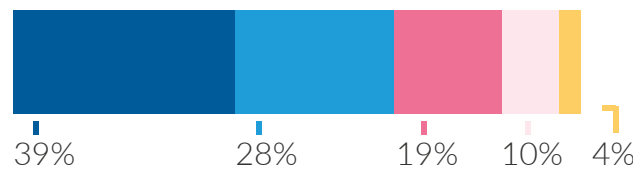
2018



2017



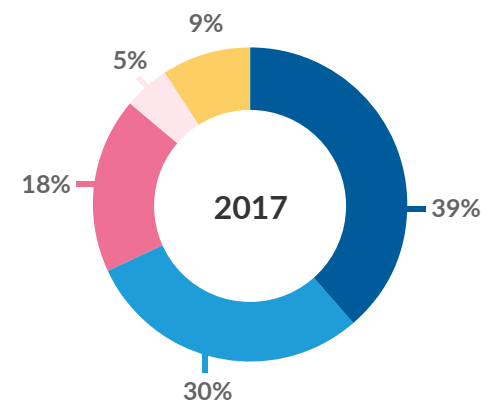
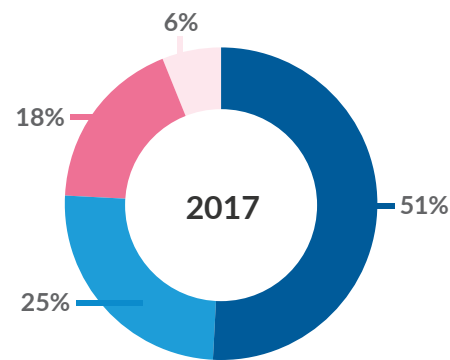
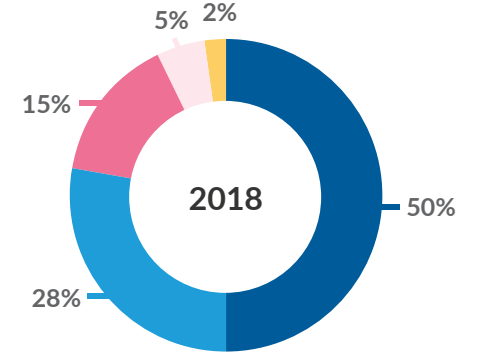
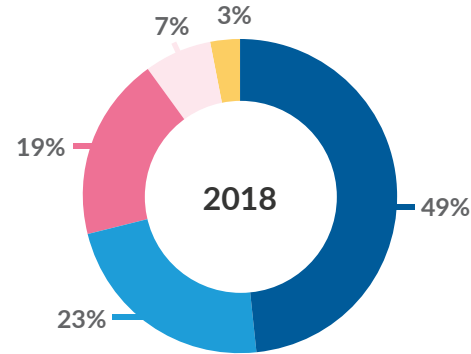
2016



BRANDS

VS

AGENCIES



MONTHLY PPC BUDGET (CONT.)

(Includes aggregate of search, social, display, programmatic, etc)


14 DIFFERENT VERTICALS REPRESENTED

RETAIL | SAAS | TECHNOLOGY | BUSINESS SERVICES | FINANCE | TRAVEL AND TOURISM
EDUCATION | HEALTHCARE | HOME IMPROVEMENT | AUTOMOTIVE | INSURANCE
PUBLISHING | CONSUMER SERVICES | CONSUMER PACKAGED GOODS

(Of all verticals, the category with the most respondents was "Other")

VERTICALS SPENDING THE MOST

BUSINESS SERVICES RETAIL AUTOMOTIVE



VERTICALS SPENDING THE LEAST

SAAS HEALTHCARE CONSUMER SERVICES



79%
OF BRANDS
SAY THAT PPC IS A
HUGE DRIVER FOR
THEIR BUSINESS.

Out of 400+ marketers from brands and agencies, only 4 said that PPC performance was really poor for them or their clients this year.



PPC IS A HUGE DRIVER FOR BUSINESS

Brands: 79% | Agencies: 82%

PPC NOT A HUGE PART OF MARKETING, BUT WILL KEEP DOING IT

Brands: 10% | Agencies: 8%

SOME SUCCESS WITH PPC, BUT NOT A LOT

Brands: 9% | Agencies: 2%

PERFORMANCE HAS BEEN POOR

Brands: 2% | Agencies: 0%

62%

OF MARKETERS WILL INCREASE THEIR PPC BUDGETS IN THE NEXT 12 MONTHS, WHILE 35% WILL KEEP BUDGETS THE SAME.

An effective digital marketing strategy stands on many legs, but paid advertising is one of the most important ones.

Compared to 12 months ago, **68%** of brands said that their PPC budget is **bigger**, with **18%** saying that it's "**Much Bigger!**" and **9%** responding their budget is **smaller**.

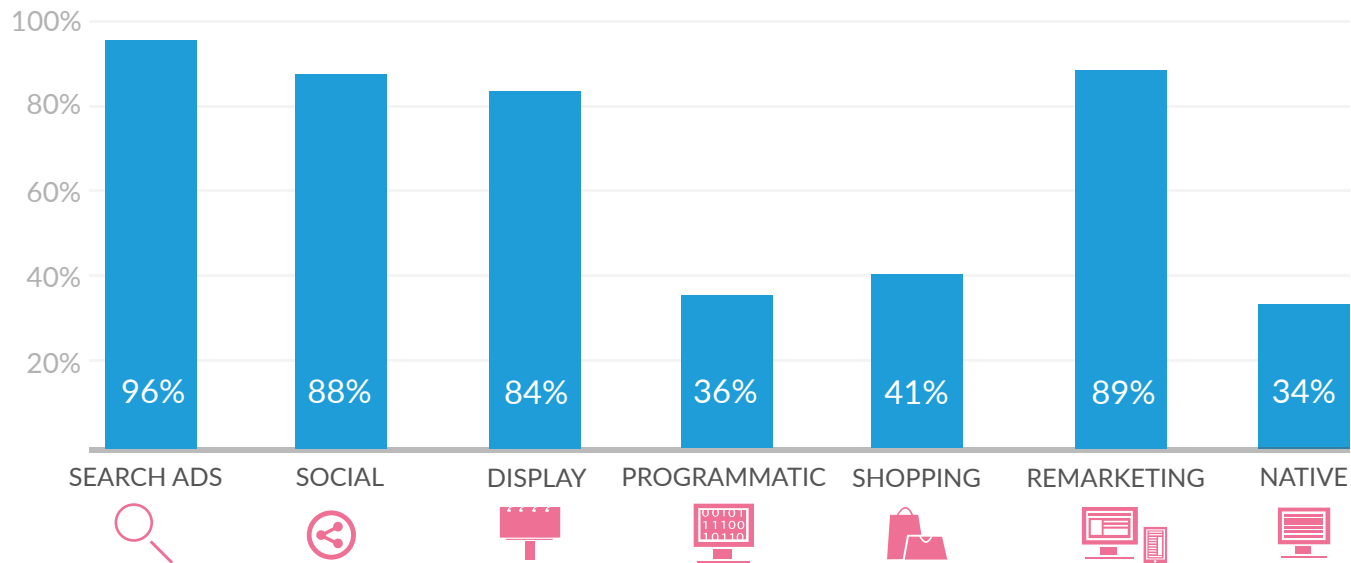
Participants from agencies claim that **67%** of their clients have **bigger** PPC budgets than 12 months ago and only **3%** have **smaller** budgets.

WHERE MARKETERS ARE SPENDING THEIR DIGITAL DOLLARS

Display and programmatic are the most interesting channels for investments. Though Display was chosen as the Least Effective channel, 84% of marketers are still investing in it, so it's safe to say that marketers are finding value in it.

Programmatic investments have been rising the last few years, though very slowly. We haven't seen a spike in adoption as we have with social platforms. This could be due to a number of things:

- Advertisers are still having a hard time getting started in this channel
- The initial budget investment is too high for most brands
- There are still brand safety concerns with the channel, so businesses aren't comfortable investing a significant budget towards it.



WHERE MARKETERS ARE SPENDING

NOTE!

We didn't include the mobile category in this year's survey. Mobile is within every platform now. If you're advertising on Facebook or Google, you're doing mobile, so we felt it was best to not make it its own category anymore.



WHERE MARKETERS ARE SPENDING THEIR DIGITAL DOLLARS (CONT.)

Programmatic is worth it, if you have the budget for it. It is the next wave in the industry that will continue to grow and adapt. This channel's targeting capabilities are in line with Google, making it familiar and comfortable, however, its reach is greater. There are also capabilities outside what you can accomplish with Google (audio, more video, apps), which means it is essential to understand how these things translate to brand growth and loyalty, not just direct response.

When you exercise controlled testing in programmatic, and a metered patience for the larger impact you could have with this kind of targeting, you eventually see the value. That realization, that recognition of success, is what then drives marketers to increase their investments and further diversify their efforts.

CARRIE ALBRIGHT
Group VP at Brainlabs



“ Advertisers with a full-funnel strategy understand the value of programmatic advertising. As the saturated marketplace pushes us to develop more advanced targeting tactics, we can expect continued expansion into programmatic platforms, PMPs, innovative vendors like Hulu, Spotify, and multidimensional ad spaces. The onus is on us marketers to drive those strategies, define the scope of investments and leverage how programmatic contributes to multi-channel success. ”



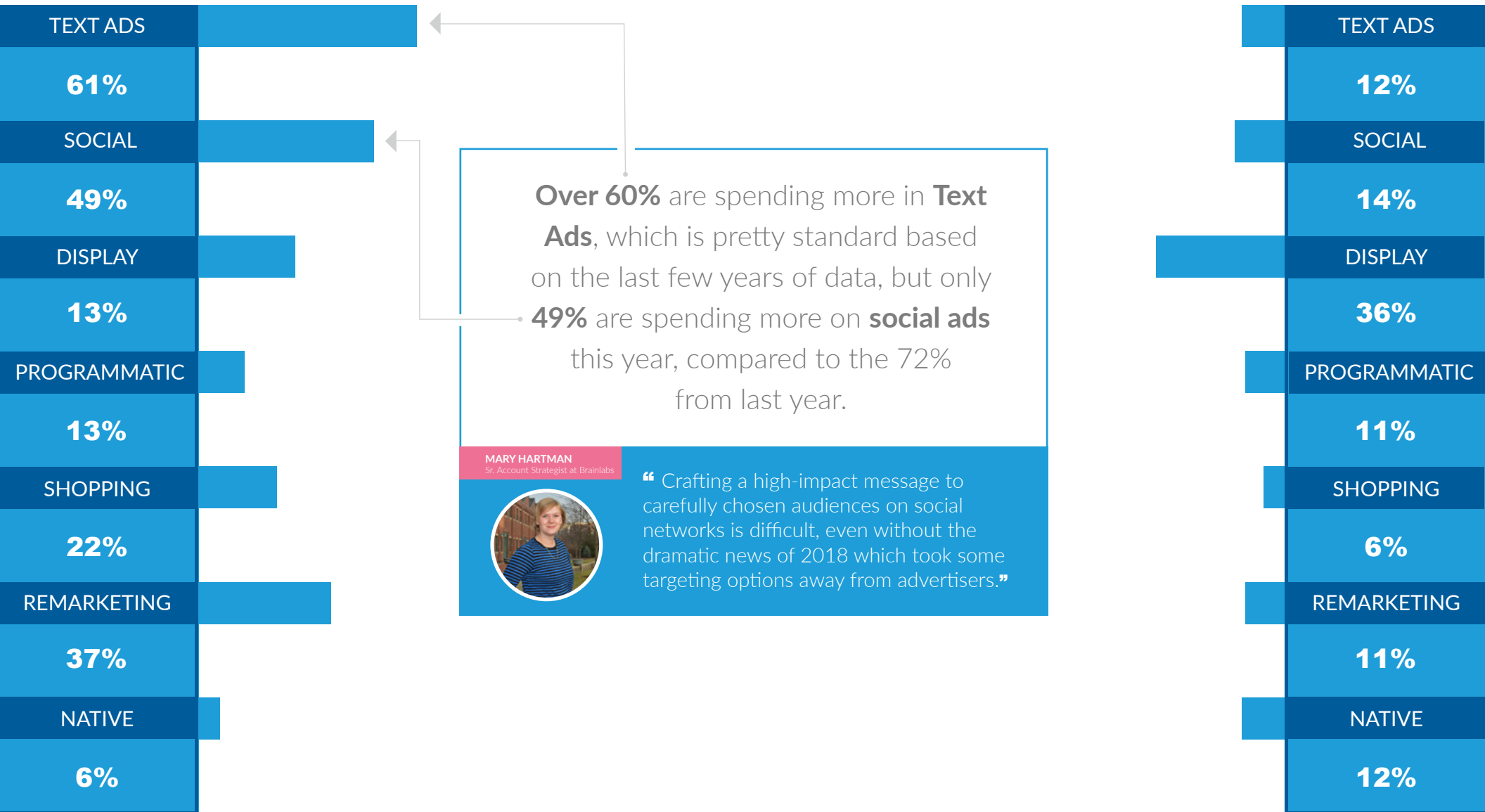
WHERE MARKETERS ARE SPENDING MORE OR LESS



MORE
COMPARED TO 2017

PERCENTAGE OF MARKETERS SPENDING

COMPARED TO 2017



Over 60% are spending more in **Text Ads**, which is pretty standard based on the last few years of data, but only 49% are spending more on **social ads** this year, compared to the 72% from last year.

MARY HARTMAN
Sr. Account Strategist at Brainlabs



“Crafting a high-impact message to carefully chosen audiences on social networks is difficult, even without the dramatic news of 2018 which took some targeting options away from advertisers.”



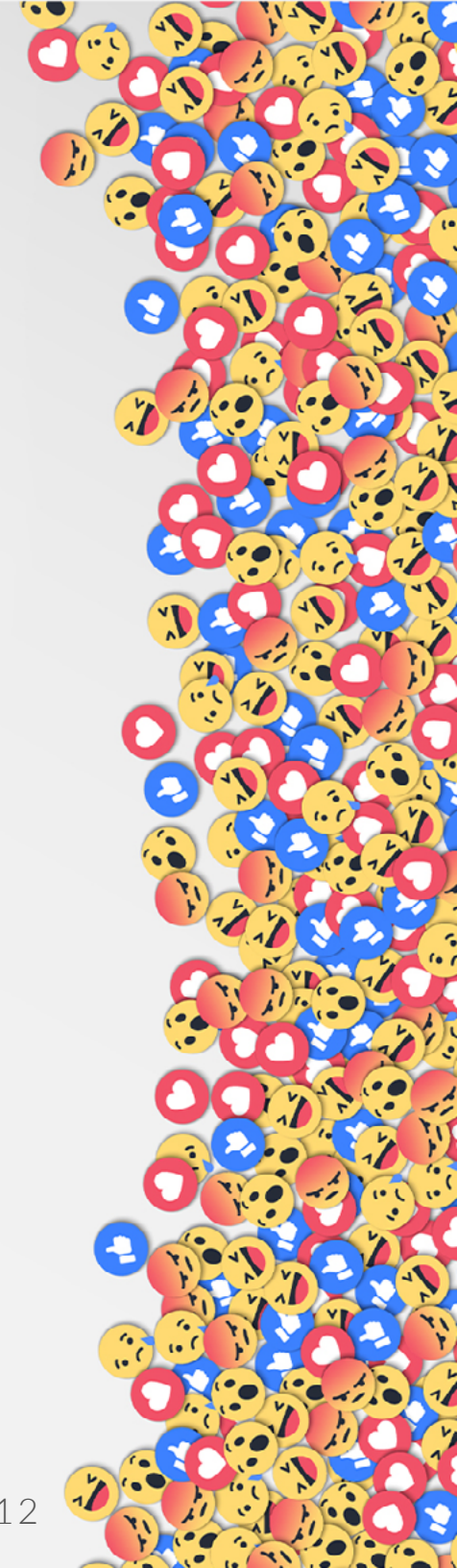
WHERE MARKETERS ARE SPENDING MORE OR LESS (CONT.)

This slow roll in social ad growth may be due to a few factors across multiple platforms, including:

- Facebook's removal of third party "Partner Categories" targeting options on March 28th, 2018 in response to the Cambridge Analytica scandal.
- The newsfeed update of January 2018 in which Facebook vowed to improve newsfeed quality for Facebook users and cut down on the number of ads served to Facebook users.
- The General Data Protection Regulation (GDPR) of Europe which became law on May 25th, 2018. The GDPR further protects consumers from sharing valuable profile data with advertisers.

The Facebook drama and audience cuts of 2018 have been heaped on top of the more mundane problem of Facebook's explosive growth over the past few years. Some marketers are tempering their efforts on social as they continue to weigh the value of Facebook Messenger ads, LinkedIn carousels and video ads, and Instagram stories. There are a ton of choices to make on social networks and it's possible that marketers are feeling some trepidation due to decision fatigue and a steep learning curve.

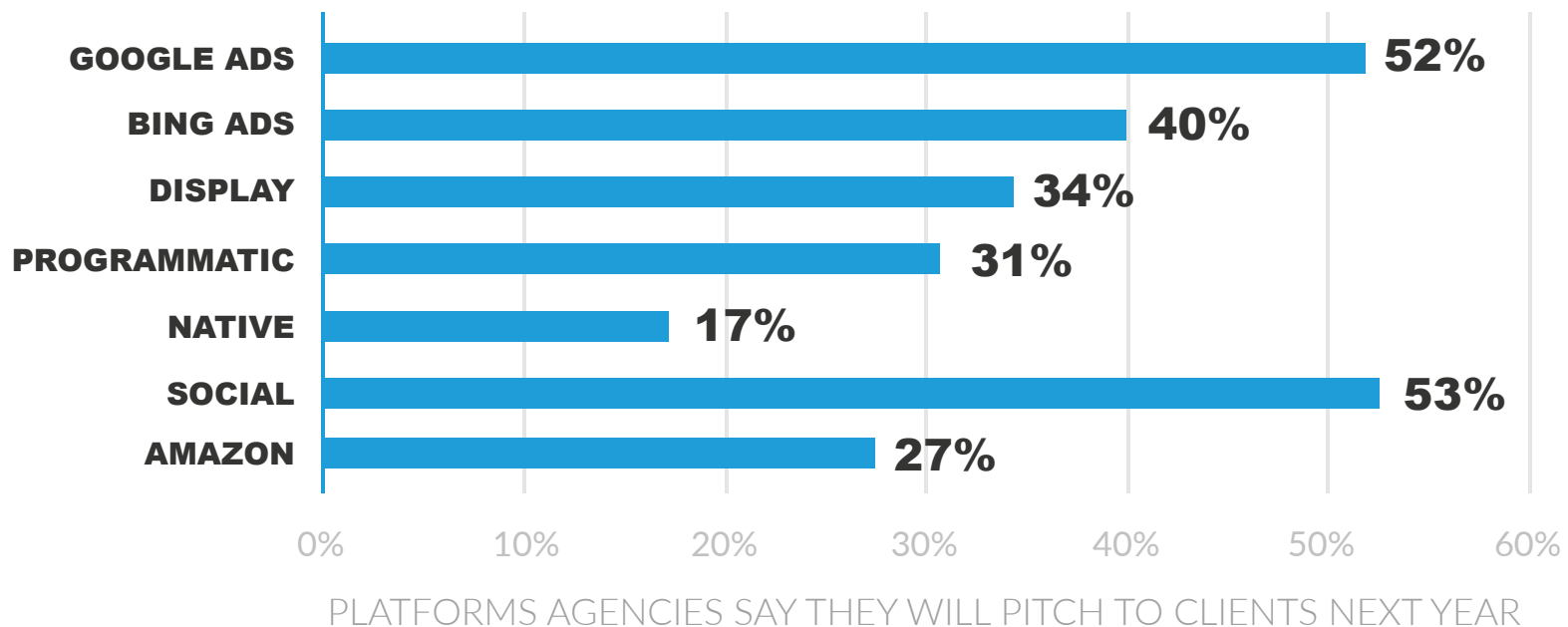
Networks continue to dish out a rich buffet of ad type and placement choices - some more expensive than others, from LinkedIn's \$14 CPCs down to Instagram's \$0.80 CPCs. However, competition will only get more fierce and CPCs more expensive as time goes on, so it's important to carefully choose one platform that makes sense for your business to expand in and start testing now. It's only going to benefit you in the long run.



THE PLATFORMS AGENCIES WILL PITCH TO THEIR CLIENTS NEXT YEAR

Social platforms and Google Ads are on equal footing for where agencies believe their clients should be at next year.

Amazon is on the rise, coming in at 27% currently, but we expect that to continue to increase as Amazon's platform becomes more savvy and advertisers figure out how to find and optimize their successes.

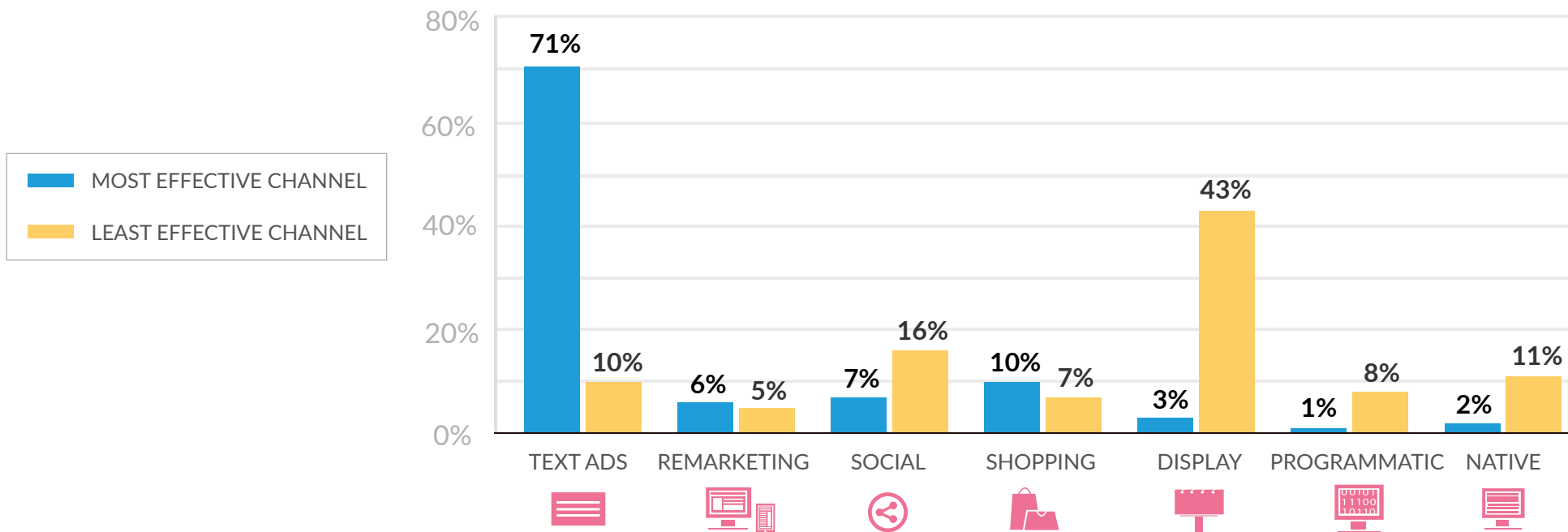


THE MOST EFFECTIVE PPC CHANNEL

This year, we asked this question a bit differently. We only asked for the MOST effective channel versus asking for all the channels that are effective for advertisers...

In an overwhelming response, Text Ads were chosen as the most effective channel, while Display was chosen as the LEAST effective channel - neither choice was a surprise.

Text Ads have been and will continue to be a proven ad for businesses. Ads are completely customizable for your target audience and new features and updates happen all the time, so you can personalize your ads even more.



THE MOST EFFECTIVE PPC CHANNEL (CONT.)

Referencing our last several reports, Display Ads have continued to decline in effectiveness. In 2015, 54% of advertisers said that these ads were effective for them. That number dropped to 21% in 2016, and rose just a little bit to 25% last year. This year, only 3% of advertisers said that Display ads were the most effective channel for them.

Here are two main reasons why:

Display is the least targeted channel. No matter how many targeting options platforms provide, Display can't match the relevance that other channels provide. They are similar to billboards. You can put billboards where you think they will get the most traffic, but ultimately, a lot of it will be unqualified.

Last click attribution. Many marketers still use last click attribution. If you are looking at Display from simply a last click perspective, for the most part, the return will be less than channels like Search and Remarketing.

“ Traditionally held concepts of PPC advertising, such as keyword-based targeting and strictly writing text ads, are becoming outdated. Though these practices will always have a place, it's clear from the survey that PPC has evolved as marketers demand more sophisticated and expansive solutions. Businesses want to be seen on the most popular websites and are willing to pay to make it happen. Marketers need to invest time and resources to educate themselves on these platforms to ensure that brands see positive results. ”

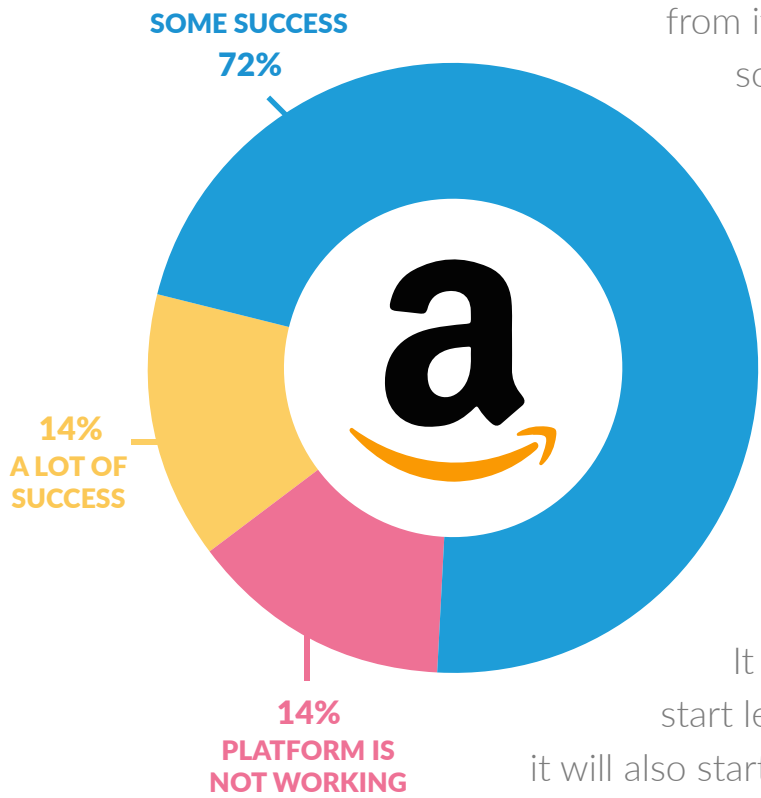


MATT UMBRO
Key Account Director at Brainlabs



ONLY 9% OF MARKETERS ARE ADVERTISING ON AMAZON, BUT THE PLATFORM ACCOUNTED FOR 44% OF ECOMMERCE SALES IN 2017.

(SOURCE: ONE CLICK RETAIL)



The Amazon platform is still in its infancy and troubled by a number of factors. Aside from it being relatively new to most advertisers, the reason they're only seeing some success is likely a combination of a clunky interface, finite reporting, lack of transparency in conversion paths/attribution, and limited support resources. It's challenging to pull insights that lead to actionable data and many marketers struggle to optimize the success they do find in ads.

As it matures, the platform is bound to get easier to navigate and features will improve. Like the early days of Google, Amazon is continually making updates for the advertiser. Different software is syncing with the API, more brands are spending, and advertisers are flat-out starting to learn more.

It is more important now than ever to establish your brand on Amazon and start learning. Not only will this provide an edge in your respective vertical, but it will also start accruing critical data that will help win the buy box and add credibility to your products.



“”

AS AMAZON GETS OLDER, THE BIGGEST THING TO WATCH OUT FOR IS COMPETITION.

Competitors are going to be jumping on to the platform at some point in the near future. For ecommerce businesses, it is a when and not an if. According to eMarketer, Amazon accounted for 44% of ecommerce sales in 2017 and is expected to account for half of all ecommerce sales by the end of 2018.

Not getting on board would make little sense.



TANNER SCHROEDER
Sr. Account Strategist at Brainlabs





AI/MACHINE LEARNING WAS VOTED AS THE MOST IMPORTANT ASPECT OF THE DIGITAL ADVERTISING INDUSTRY OVER THE LAST 12 MONTHS.

With Google's new Responsive Search Ads feature and a variety of new SaaS businesses popping up with unique solutions using AI, it comes as no surprise that AI/Machine Learning has been an important and hot topic in the industry.

Machines are going to change the face of digital advertising and improve it. A machine can create, test, and analyze vast amounts of data faster and more accurately than a human ever could. It's why a healthy dose of automation is essential in a marketer's strategy.



WHAT'S BEEN IMPORTANT IN DIGITAL ADVERTISING THIS PAST YEAR (CONT.)

JEFF BAUM
Group VP at Brainlabs



“ Our value as digital marketers no longer lies with our tactical proficiency. Machine learning and automation affords us the opportunity to focus on the strategy and analysis portion of our roles. Those who can derive deep insights from digital marketing data, clearly communicate the underlying story behind this data, and ultimately tie learnings to a strategic approach will create a higher level of value that clients and stakeholders cherish. ”

THE MOST IMPORTANT ASPECTS

1.

AI/MACHINE LEARNING



2.

CONVERSION RATE OPTIMIZATION



3.

ATTRIBUTION



THE LEAST IMPORTANT ASPECTS

1.

AD BLOCKERS



2.

CLOUD COMPUTING



3.

CHATBOTS



CRO IS STILL A BIG FOCUS

Since our first annual report in 2013, focus on Conversion Rate Optimization (CRO) has continuously been a top priority for both agencies and brands year after year. Such a priority that CRO came in second behind machine learning by only 1% this year.

With results like these, it's a mystery why more brands and agencies aren't focusing on CRO when executing their PPC strategy. Optimizing the user experience to result in higher conversion rates is the most effective way to increase ROI. CRO improves the experience for incoming traffic throughout their entire journey from ad, to landing page, to conversion. This can not only result in an increase in revenue but can extend the customer lifetime value. If you had 100 people visit your site, would you rather have 1 convert or 10? Of course it's 10. That's why CRO matters.



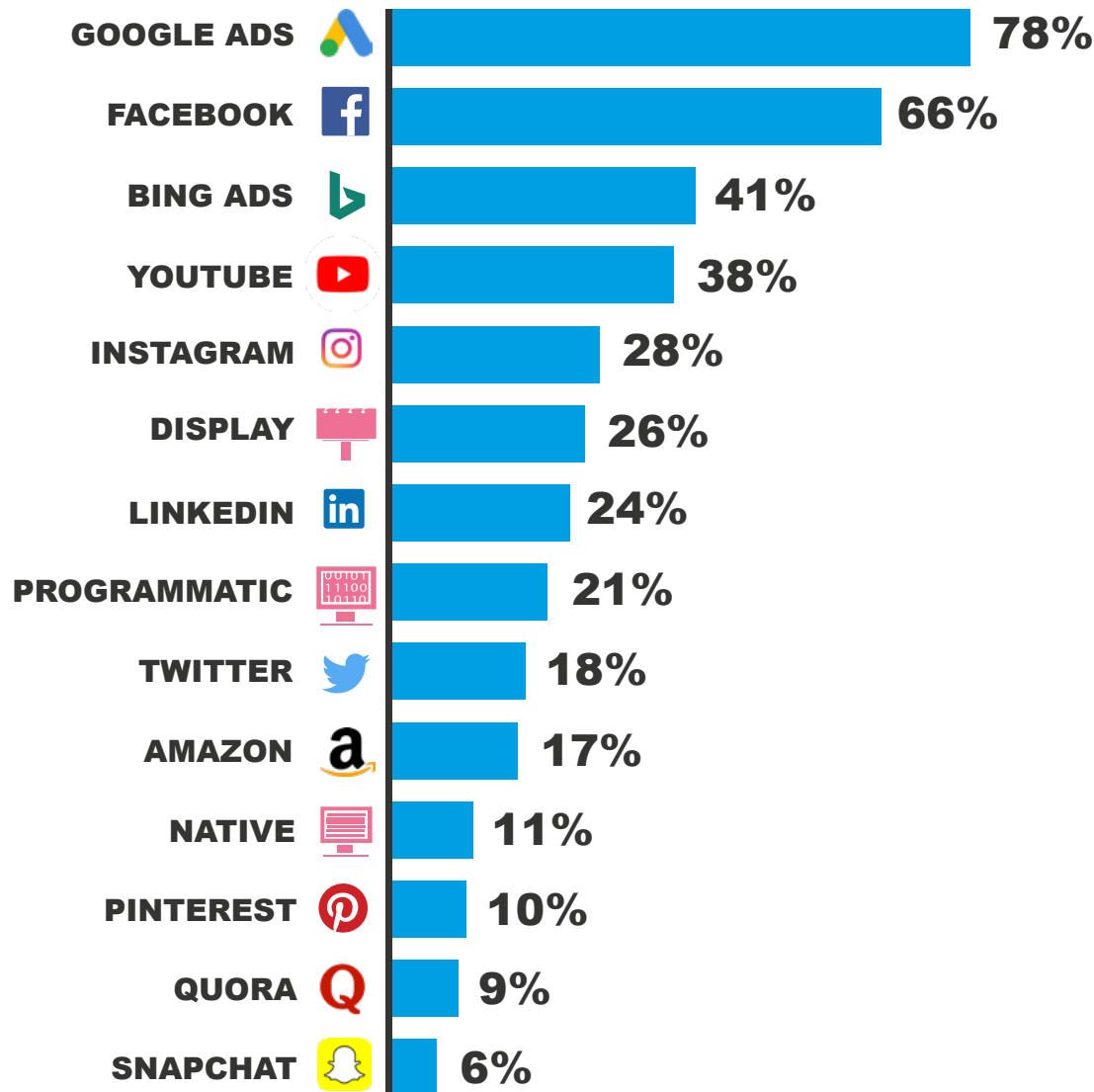
SAMANTHA KERR
Assoc. Director of CRO at Brainlabs

“ Spending more money on traffic in order to get more conversions is one solution. Investing in CRO in order to convert your existing traffic at a higher rate is a smarter solution. ”



HOW BUDGETS WILL CHANGE IN THE NEXT 12 MONTHS

PLAN TO INCREASE



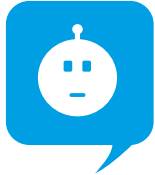
The number of people planning to invest more in Google Ads rose by 3% compared to last year. While some still struggle to navigate the new UI (which is officially replacing the old one by the end of 2018!), Google has built some new features that will make your life easier and save you time. In May 2018, the platform released Responsive Search Ads which uses Machine Learning to dynamically serve varying combinations of headlines and descriptions and optimize ad delivery based on the top-performing headline and description combinations.

With the rise of video advertising and new video formats available, it's not surprising that we see slated increases in social platforms like YouTube, LinkedIn, and of course, Facebook.



WHAT MARKETERS FEEL MOST UNPREPARED FOR

CHATBOTS



31%

VOICE SEARCH



29%

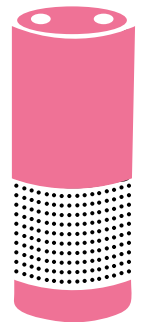
AI/MACHINE LEARNING



19%

Coming out of 2017, Chatbots have slowly become a common next level marketing tactic. However, a lack of understanding about how they work and how they can be used to engage customers is still lagging behind.

Though it has been a highly discussed topic over the last couple years, it's still unclear how marketers will be able to take full advantage of voice search, both right now and for the future. Given that there still aren't any ad formats offered within voice assistants, this is understandable. But with the rise of smart speakers, voice features on remotes, and restaurants jumping on the Alexa skill bandwagon, among other things, consumers are becoming more conditioned to using only their voice to discover information, make purchases and interact with websites. Rethinking how consumers will interact with your ads differently and how you're targeting them is how you can prepare now for the eventually revolution of voice search.



MARKETERS ARE STILL WORRIED ABOUT BRAND SAFETY

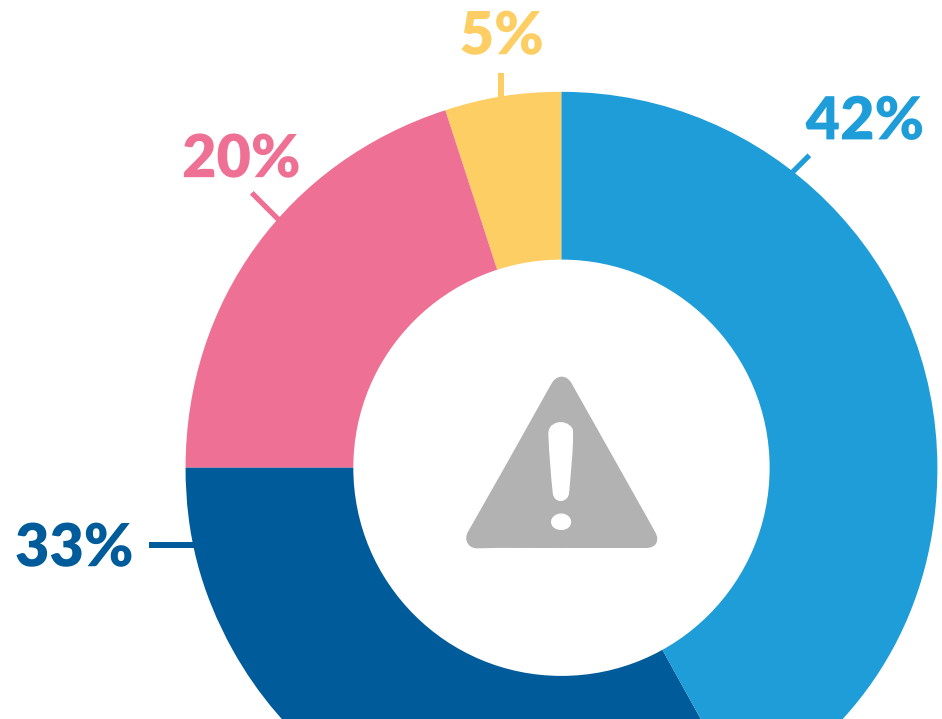
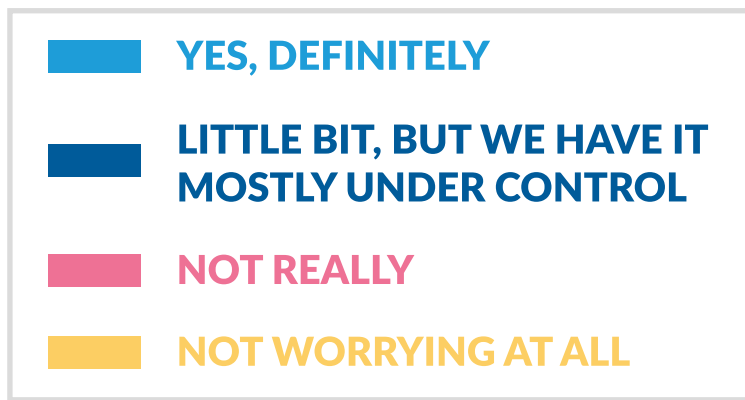
Overall, 75% of marketers are still worried about brand safety in some capacity.

We were a bit surprised to see that number so high and wished we would have asked more questions, like:

- Are you reducing spend because of your concerns?
- Are you hiring a Brand Safety Officer as some brands are now doing?
- Are you offering more training on brand safety to your PPC team?
- How will this impact your budgets next year?

We're curious on what marketers are thinking and doing, so we'll be doing a follow-up report on brand safety with more detail in the near future. We'll dive deeper into the actions marketers are taking as a result of recent happenings, and find out the impact they caused on both teams and within budgets.

ARE YOU WORRIED ABOUT BRAND SAFETY?



THE MOST IMPORTANT THINGS TO A BRAND WHEN WORKING WITH AN AGENCY

THE TOP 5

- 1** **THEIR LEVEL OF EXPERTISE.**
- 2** **THEY GROW MY TOP LINE REVENUE.**
- 3** **RESPONSIVE TO ME AND MY NEEDS.**
- 4** **THEY ARE TRANSPARENT.**
- 5** **THEY PROACTIVELY FIND AND EXECUTE NEW OPPORTUNITIES.**

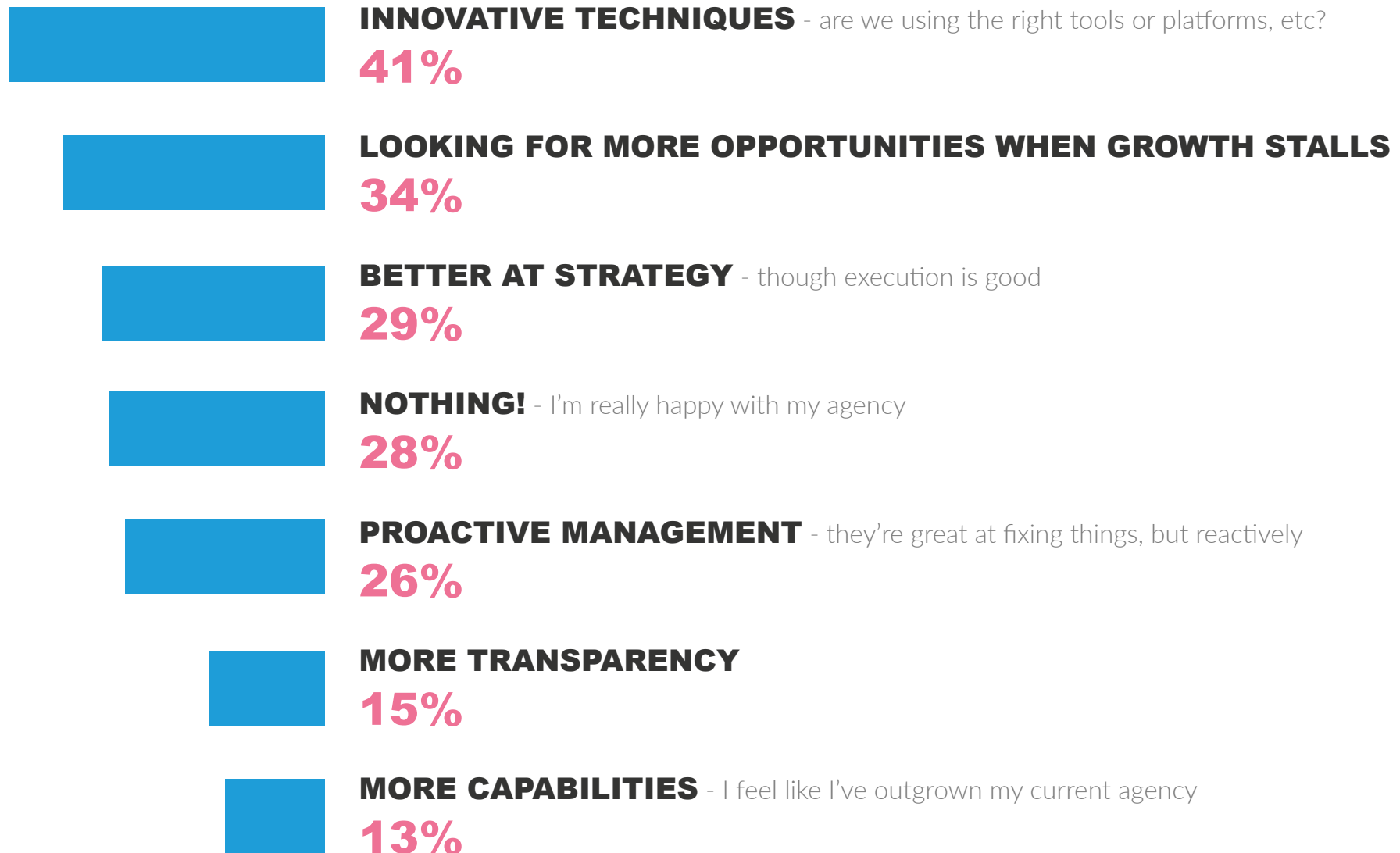


RANKINGS 6-12

- 6** They will make my job easier.
- 7** (Tie) They are innovative.
I will get better insights about my campaigns.
- 8** They will save me time.
- 9** (Tie) They can scale account resources as my budget grows
Are available when I need them.
- 10** Have a clear vision of the future.
- 11** (Tie) Reduce my stress and anxiety.
Working with them will provide me with opportunities for professional development and career growth.
- 12** Fewer hassles for me to deal with.

THE MOST IMPORTANT THINGS TO A BRAND WHEN WORKING WITH AN AGENCY (CONT.)

✓ THE THINGS BRANDS WISH THEIR AGENCIES WERE BETTER AT



“”

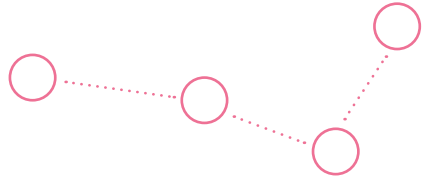
Expertise and proactive opportunities go hand in hand. If you don't deeply know the PPC marketplace and your client's business, you can't find relevant opportunities. But if you have expertise and you are constantly looking for and finding new opportunities for clients, topline revenue growth is a byproduct. You have to be both, an expert and proactive. That's how revenue comes.

JEFF ALLEN

President (Central, US) at Brainlabs



| WHERE MARKETERS WANT TO BE BETTER



ATTRIBUTION & DATA ANALYSIS

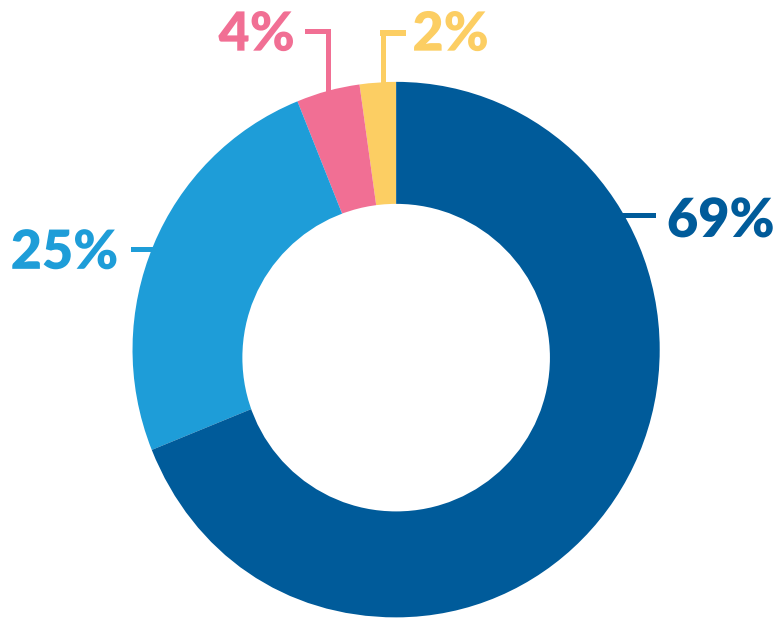
An overwhelming amount of marketers say that they wished they were better at attribution, convincing their clients that understanding attribution is essential to their marketing and sales, analyzing data, and data modeling.

Other topics that came up:

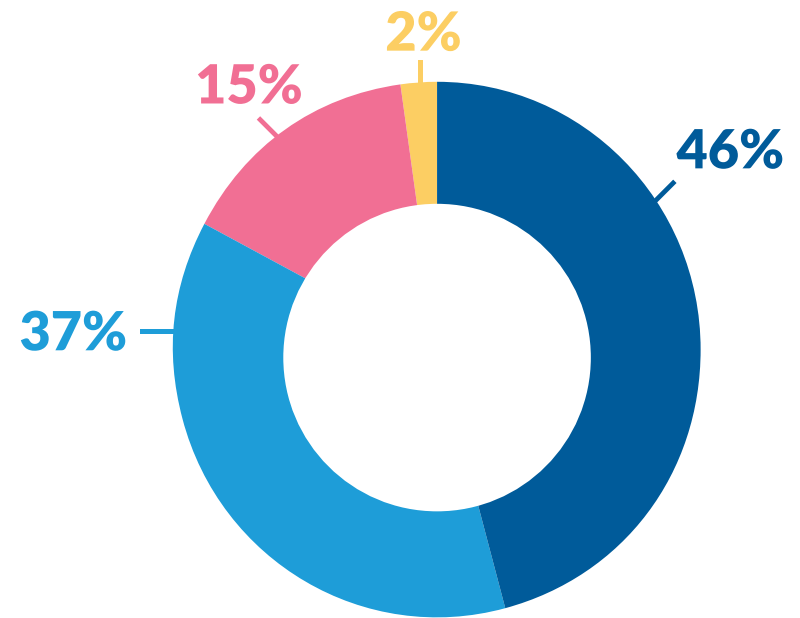
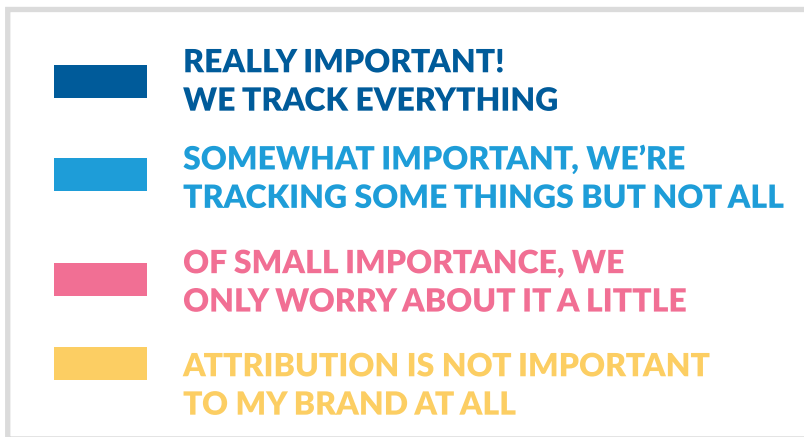
- Coding & Javascript
- Automation
- Programmatic
- Video advertising
- Scripts



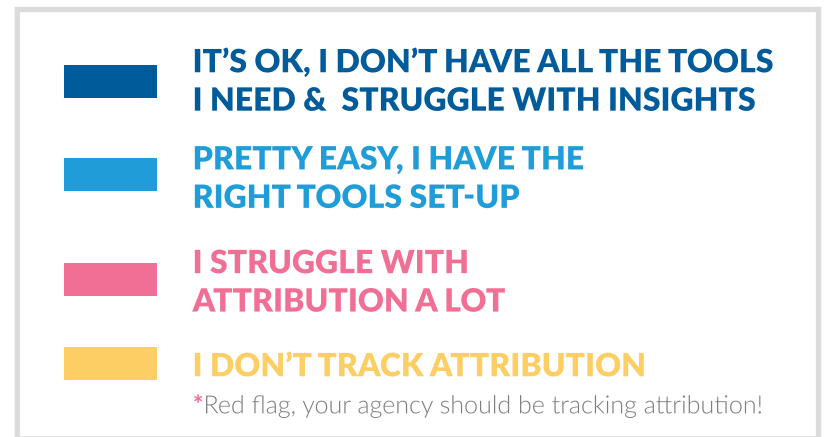
THE IMPORTANCE OF ATTRIBUTION



HOW IMPORTANT IS ATTRIBUTION TO BRANDS?



HOW EASY IS IT FOR AGENCIES TO TRACK ATTRIBUTION?



THE IMPORTANCE OF ATTRIBUTION (CONT.)

Attribution is key to understanding and optimizing your PPC methods (and beyond), so it's worrisome that some brands and agencies are not tracking their attribution or don't think it's important. Why would anyone not track attribution? *Here are some reasons:*

- Don't know how.
- Don't have the proper technical resources to do so - proper codes on the right pages, etc.
- Don't have the right tools.

If this is you, we highly suggest you work on getting attribution up and running.

CASSIE OUMEDIAN
DIRECTOR OF SOCIAL AND PROGRAMMATIC AT BRAINLABS



“It's not a question of should you be using attribution; it should be how are you going to optimize your digital marketing program to account for it?”



PRO TIPS FOR AUTOMATION AND CODING!

Rather than thinking of automation as revolutionary, start by focusing on how you can save time or how to streamline the process. Once you've done something the same way a few times, it's easier to figure out if there is any remaining value in continuing to do it manually. At the very least consider automating routine tasks to minimize the human error (from forgetting to drag a formula, save a file, or forgetting to do the task in general!).

Coding requires some time to build up the knowledge for progression. It is more of a craft than something you pick up and start using (like a handy formula). Because most resources are either "how to start coding" or "how to implement this brand new technique," marketers get left in a weird middle trap in which everything is too basic, way too advanced, or inapplicable to marketing work.

So, here's some tips on how you can improve!

- **Learn to define the problem** - What are the limits? What is the desired outcome?
- **Are there similar tools/methods to solve this problem** - There are a lot of people working on similar problems. Try using existing tools/techniques as a base for your own work and then modify it as needed.
- **Break down problems into smaller parts** - Automation and coding require specific steps. If you are building your own solution the quickest way to learn is to break each piece down. Even if you haven't written much code, you can search for the easier solutions like, how do I select keywords that spent more than \$100, how do I get the current bids for selected keywords, etc. From there you can piece it back together.
- **Don't be ashamed to look things up** - Everyone has to look things up at some point, often repeatedly after forgetting the answer from the last time you looked it up.



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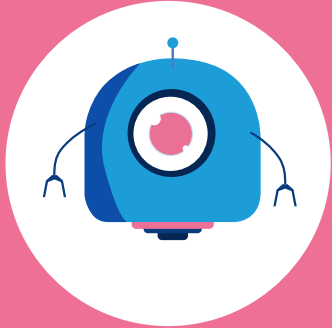
Start small and build your way up.
Oftentimes marketers get so caught up in the big things,
like fully automating account management, that they miss the early steps.
Starting small and working your way up is key to successful automation.

JACOB FAIRCLOUGH

Director of Analytics at Brainlabs



OUR THOUGHTS AND PREDICTIONS



CHATBOTS

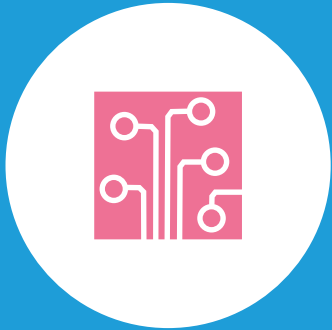
Marketers have this habit of seeing something shiny and new and running at it full force without fully thinking through a common sense strategy for it. Chatbots will be the shiny object in 2019, but the marketers that succeed with this technology will be the ones that create a comprehensive conversational strategy that natively recognizes the users' intent and provides the right content with minimum user input.



AMAZON

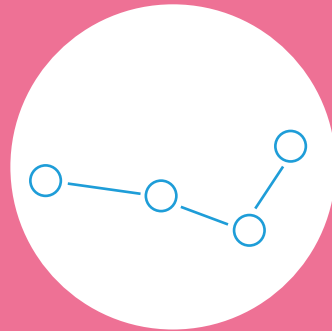
Amazon's UI is off to a shaky start, but we think it will only get better. We know firsthand that Amazon is working hard to improve the platform and developing more features to make the platform more valuable for advertisers. Currently, only 9% of brands are spending their budget on Amazon, but we predict that will increase quite a bit next year, especially with 27% of agencies planning to pitch the platform to their clients.





AI/MACHINE LEARNING

We predict that Google will launch fully automated campaigns, increase visibility into what those campaigns are doing, but reduce what advertisers have the ability to change in it. Other platforms will follow suit. They will focus on simplifying their platforms by using automation and machine learning, with the hopes to bring in more SMB advertisers.



ATTRIBUTION

Attribution is tricky and marketers are still struggling with it. However, it's going to have a much larger presence in the near future. It's a very real focus for many of the large players in the search and social space and advertisers will see more of this in the near future. We think the big question that always comes with attribution is: now that you can see the attribution, how do you optimize and budget for it?





Hi there, we hope you liked the report! We're Brainlabs, a global digital marketing agency. Using a test & learn approach, we help businesses grow.

(It works, we tested it.)

Services:

Strategy

Data Measurement

Technology

Digital Channels

SEO

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