
The State of Search Engine Marketing 2008

*Survey of Advertisers and Agencies
Search Engine Marketing Professional Organization (SEMPO)
February, 2009*

Complete Results for SEMPO Members



Research Project Objectives

PROJECT OVERVIEW

Radar Research, Inc. oversaw the following research initiatives as part of this project:

- **Understand the size of the industry** in order to help promote its growth
- **Understand where marketer spending is going**, among different recipients (search engine media companies, SEM agencies, in-house) and towards what types of SEM programs (paid placement, organic SEO, SEM technology)
- **Identify key industry trends**
- **Identify key industry issues SEMPO should address**

DEFINITIONS: Respondents Were Given the Following Definitions at the Start of the Survey

PROJECT OVERVIEW

- **Search Engine Marketing (SEM):** the entire set of techniques and strategies used to direct more visitors from search engines to marketing web sites, including all of the tactics and strategies defined below.
- **Paid Placement:** Text ads targeted to keyword search results on search engines, through programs such as Google AdWords and Yahoo Search "Precision Match," also sometimes referred to as "Paid Placement," "Pay-per-Click" (PPC) advertising and Cost-per-Click (CPC) advertising.
- **Contextually Targeted Text Ads:** Text ads targeted to the subject of writings on web pages, such as news articles and weblogs, using programs such as Google's "AdSense" and Yahoo Search's "Content Match" programs.
- **Organic Search Engine Optimization:** The practice of using a range of techniques, including augmenting HTML code, web page copy editing, site navigation, linking campaigns and more, in order to improve how well a site or page gets listed in search engines for particular search topics.
- **Search Engine Marketing (SEM) Service Provider:** Agencies or individuals who assist companies with the various search engine marketing practices described above.
- **Search Engine Marketing Technology Provider:** Makers of a software application specialized to assist in the execution of search engine marketing programs, with features such as "bid management," "campaign management," "portfolio management" and "dynamic optimization."
- **Web Analytics:** Using a reporting platform for measuring and analyzing the results of any/all of your online marketing campaigns, including search engine marketing.

Research Methodology

PROJECT OVERVIEW

Radar Research oversaw the following research initiatives as part of this project:

- Development of SEM forecast model
- Detailed online survey completed by 890 search engine advertisers and SEM agencies, administered via IntelliSurvey, Inc.
- Extensive analysis of secondary research, reporting and commentary

2008 North American SEM Industry Size Estimate, by Tactic

RESEARCH HIGHLIGHTS

	2008 Advertiser SEM Spending (\$mm)	Share of Total	Share of Tactic
Paid Placement	\$11,913,431	88.4%	
Search Media Firms	\$10,756,866	79.8%	90.3%
SEM Agencies	\$351,822	2.6%	3.0%
In-House	\$804,743	6.0%	6.8%
Organic SEO	\$1,424,813	10.6%	
SEM Agencies	\$300,599	2.2%	21.1%
In-House	\$1,124,214	8.3%	78.9%
SEM Tech	\$141,538	1.1%	
Leasing	\$9,436	0.1%	6.7%
SEM Agencies	\$51,223	0.4%	36.2%
In-House	\$80,879	0.6%	57.1%
Total	\$13,479,782		

Source: Search Engine Marketing Professional Organization survey of SEM agencies and advertisers, Nov 08-Jan 09. Global Results. Copyright © 2009



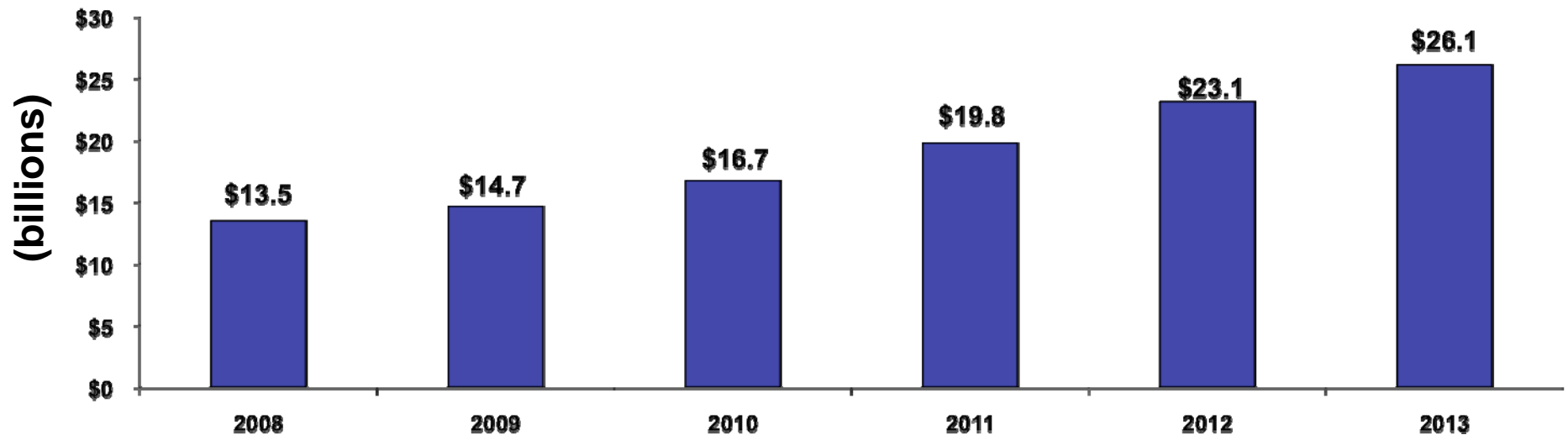
Source: Radar Research Forecast, North America, 2/09

North American SEM Expenditures to Reach \$26B in 2013

RESEARCH HIGHLIGHTS

- Growth will be driven by:
 - Increasing advertiser focus on accountability and ROI
 - Increase in small-to-midsize businesses using SEM
 - Greater consumer usage of search utilities
 - Better targeting and niche offerings
 - Long-term inventory growth

Search Engine Marketing Projections, North America 2008-2013



Source: Search Engine Marketing Professional Organization survey of SEM agencies and advertisers, Nov 08-Jan 09. Global Results. Copyright © 2009

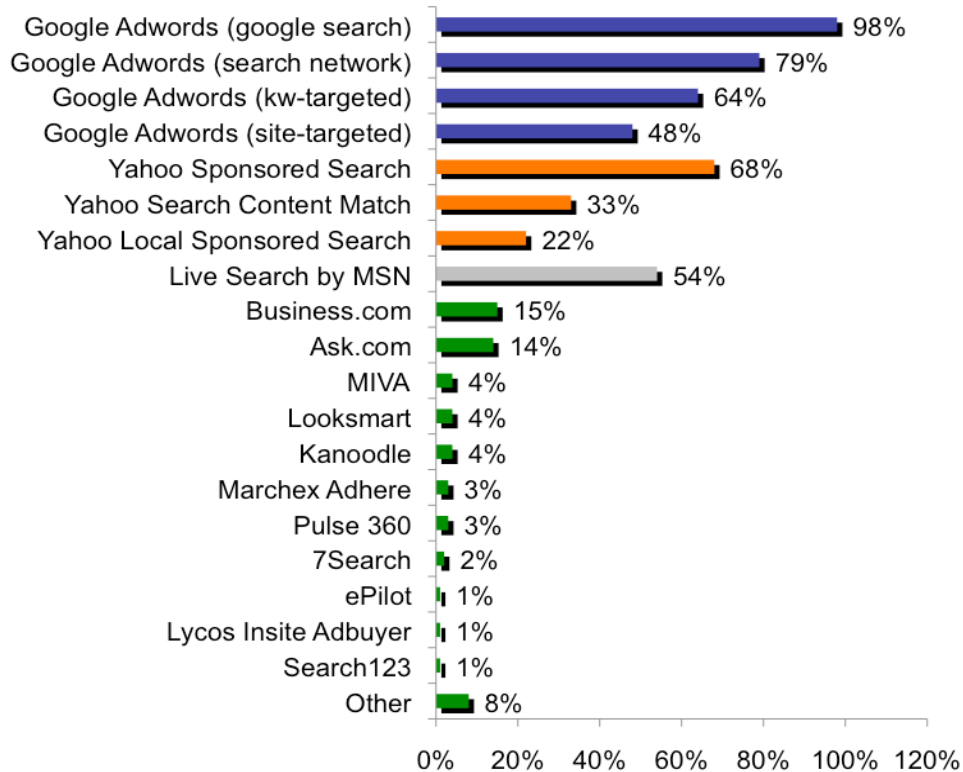


Source: Radar Research Forecast, North America, 2/09

Google, Yahoo Most Popular Search Media Companies

Most Popular Paid Placement Search Engine Networks Among Advertisers

"Which of the following Paid Placement search engine networks do you run campaigns on?"
[Multiple responses applicable]



ADVERTISERS > PAID PLACEMENT

- Google AdWords is the most popular search advertising program, used by 98% of respondents
- 68% reported using Yahoo's general "Sponsored Search" paid placement program, close to last year's 70% (but down from 86% in 2006)
- MSN is third behind Google and Yahoo! – consistent with previous years
- Of the rest, Business.com and Ask.com was the next most-popular search ad programs, followed by MIVA, and Looksmart, consistent with the past four years

Source: Search Engine Marketing Professional Organization survey of SEM agencies and advertisers, Nov 08-Jan 09. Global Results. Copyright © 2009

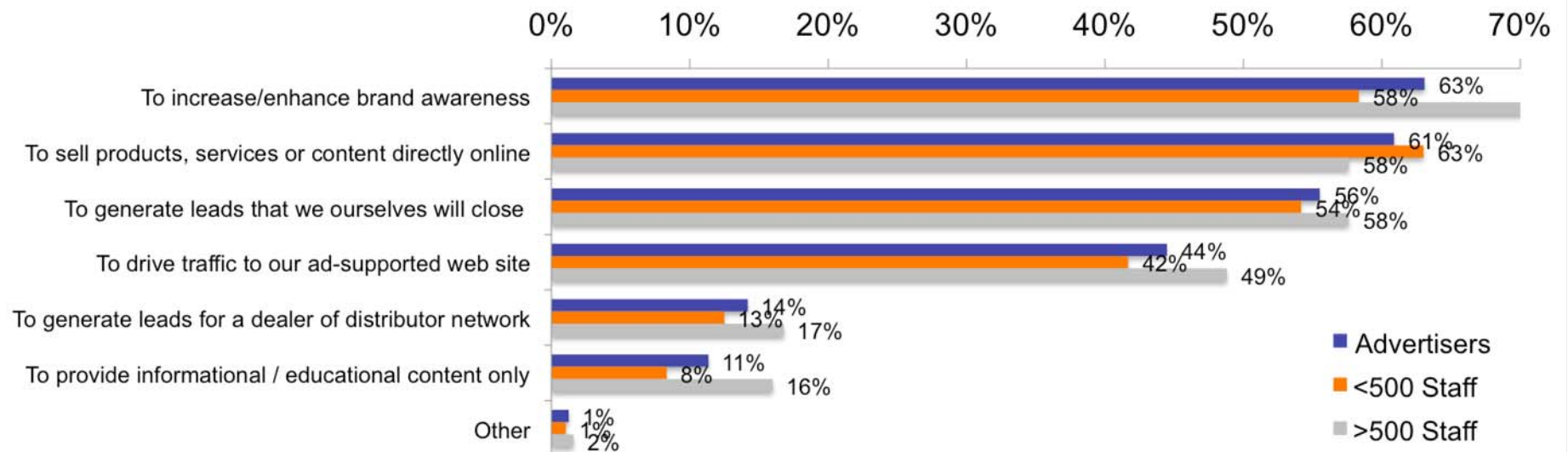
Brand, Sales, Leads and Traffic Are Top Objects of Paid Placement Programs Among Advertisers

RESEARCH HIGHLIGHTS

- Among advertisers, brand awareness is the top objective of Paid Placement campaigns (edging out sales, which topped the list in 2007)
- Sales remain the top priority for smaller firms

Purpose of Search Engine Marketing Use

"What is your company using search engine marketing to accomplish?"
 [Multiple responses applicable]



Source: Search Engine Marketing Professional Organization survey of SEM agencies and advertisers, Nov 08-Jan 09. Global Results. Copyright © 2009



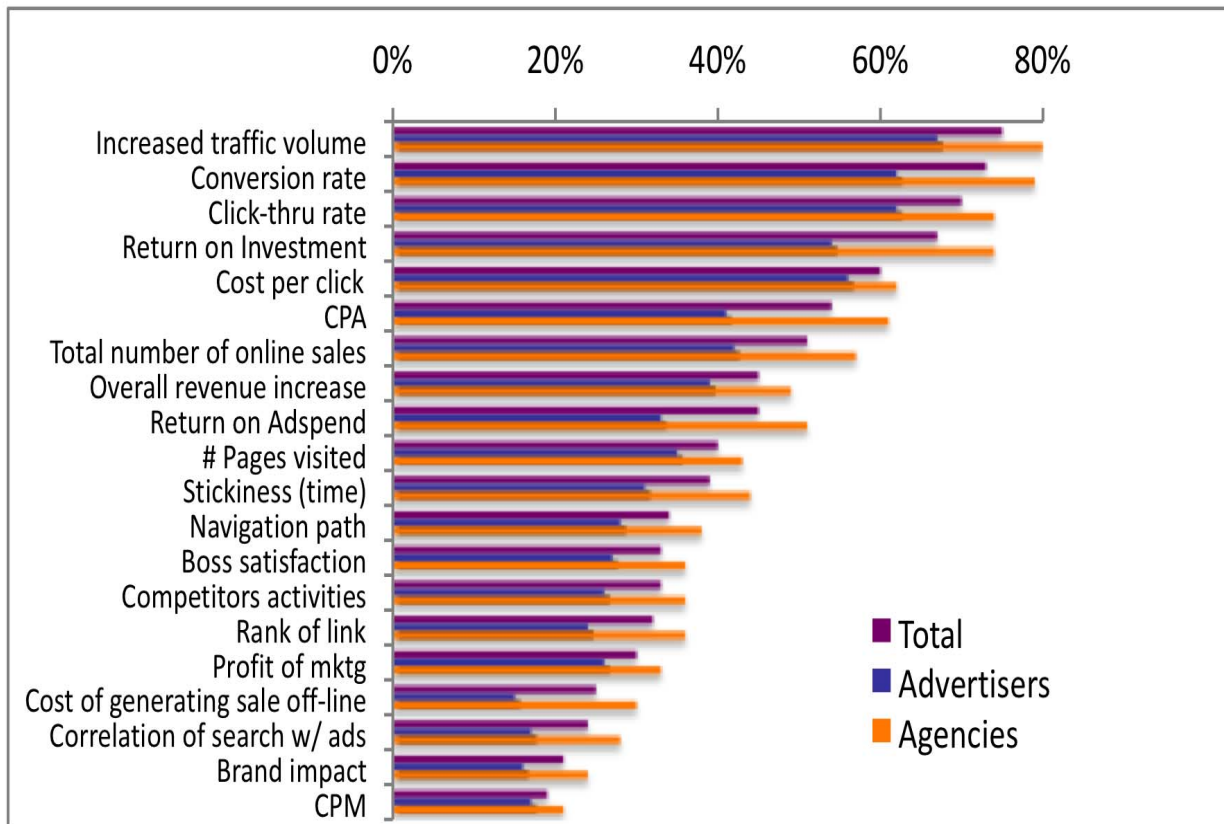
Advertisers n=317

Site Traffic, Conversion Rate, Click-Thru and ROI are Top Performance Metrics for SEM Programs

RESEARCH HIGHLIGHTS

Metrics Tracked To Gauge the Success of SEM Programs

"What metrics do you track / measure / generally pay attention to gauge the success of Search Engine Marketing programs?"



- More than 50% of respondents tracked the following success metrics for the SEM campaigns: site traffic, conversion, click-thru rate, ROI, cost-per-click, cost-per-action, cost of sales generation, and sales volume

Agencies were more likely to track all metrics by about a margin of 10-20% in the case of all metrics

These figures are very consistent with the 2006 and 2007 surveys

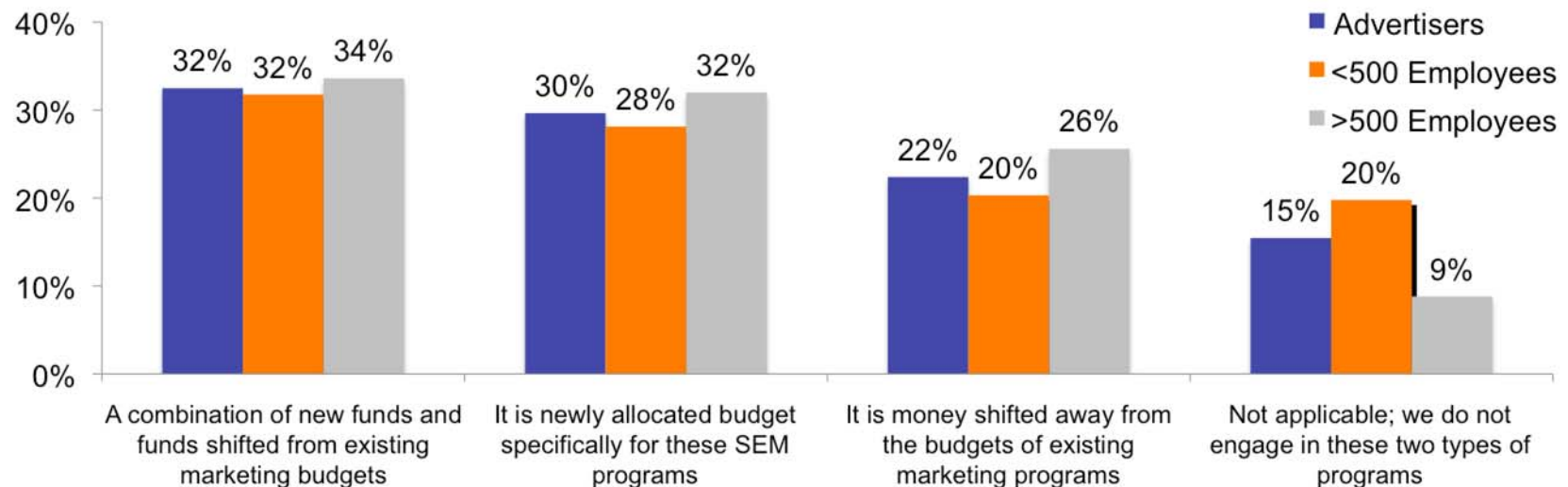
For the First Time, Most Advertisers Allocate New Funds for SEM Programs

RESEARCH HIGHLIGHTS

- About a third of respondents said their funding for paid placement came from a mix of new and existing marketing funds
- Another third reported using entirely newly allocated budgets
- Larger firms were more likely to engage in Paid Placement altogether

Source of Budget for Paid Placement and Paid Inclusion Programs

"Where is the budget coming from for your Paid Placement programs?"



Source: Search Engine Marketing Professional Organization survey of SEM agencies and advertisers, Nov 08-Jan 09. Global Results. Copyright © 2009



Advertisers n=317

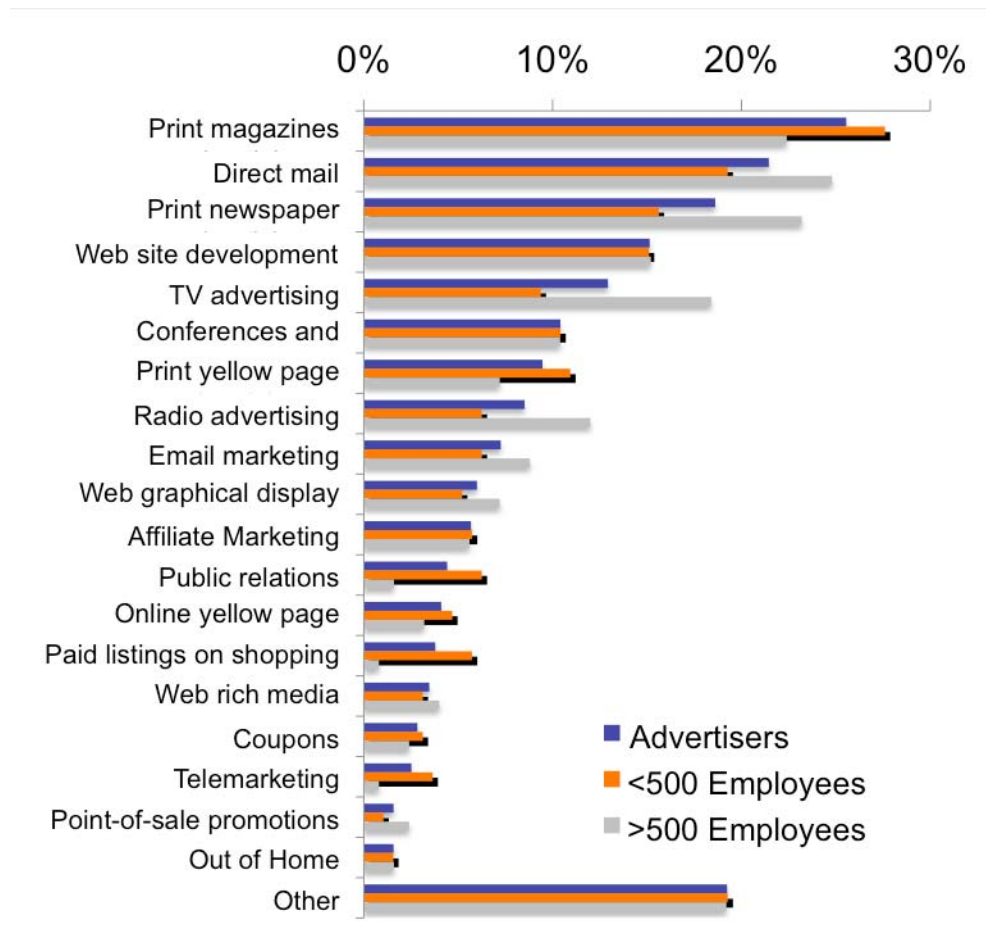
SEM Is Poaching Budget From Both Online and Off-line Marketing Programs

RESEARCH HIGHLIGHTS

Shift of Marketing / IT Funds to Search Marketing Programs

"From which marketing/IT programs are you shifting budget away and moving it to your search marketing programs?"

- The biggest shares of budgets for SEM programs are being shifted away from offline marketing such as print, direct mail and TV advertising, as well as online marketing such as Web site development

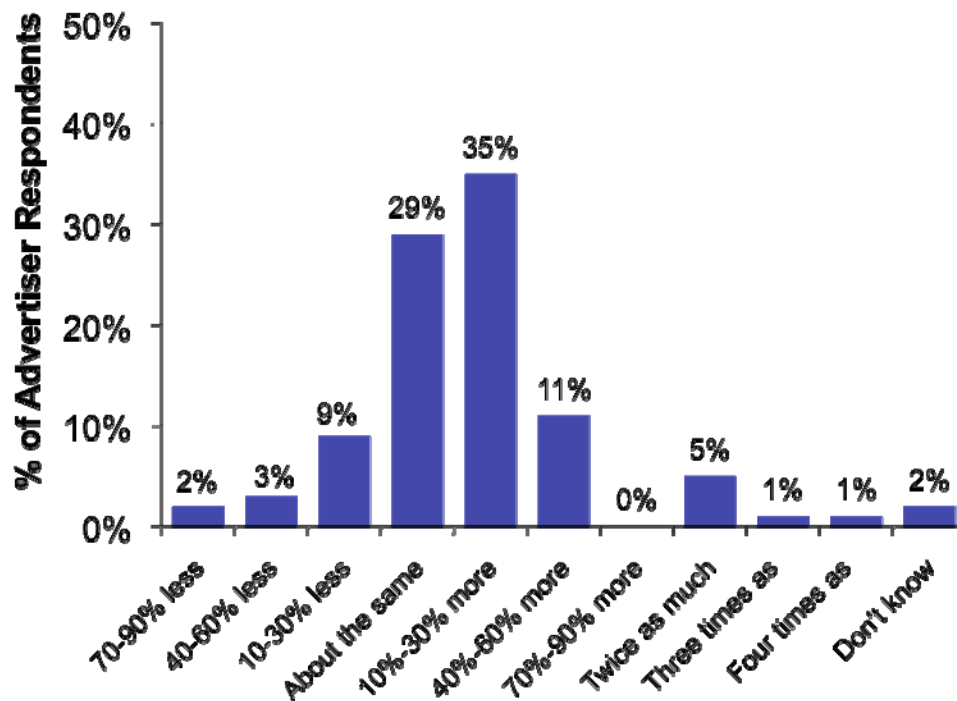


Advertisers Plan to Increase Their Spending on Paid Placement Moderately in 2009

ADVERTISERS > PAID PLACEMENT

Spending Expectations for 2009

"How much more or less do you expect to spend in 2009 compared to 2008 for 'Paid Placement' programs (including all forms of expenditures noted above)?"



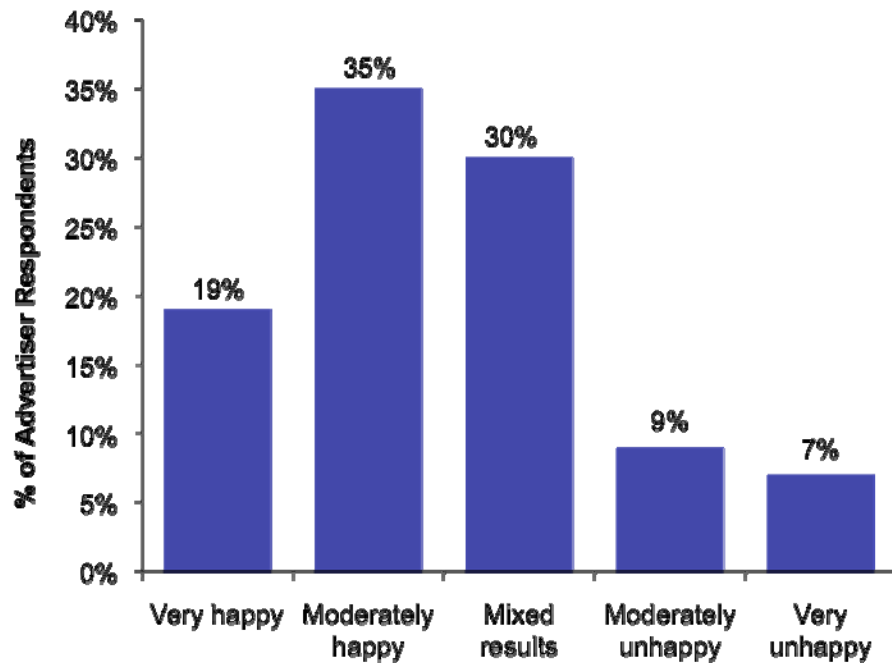
- A little over half of advertisers planned to increase their spending on paid placement campaigns in 2009, a significant drop from two-thirds of respondents who reported they planned on increasing spending last year
- Almost a third of advertiser respondents expect to spend the same as last year, a jump from 18% who reported they planned on spending the same last year
- Yet only 14% of advertisers claim they plan on spending less in 2009 than in 2008
- Overall, the data indicates an increasing conservatism the past two years among advertiser respondents

Advertisers report increasing satisfaction levels with their agencies

ADVERTISERS > PAID PLACEMENT

Opinion on SEM Service Providers

"How happy have you been in the past year with the services delivered by the primary SEM service provider you engage for Paid Placement programs?"



- More than half (54%) of respondents said they were happy ("moderately" or "very") with their SEM agencies for paid placement campaigns; this is a significant leap from 2007 (42%) and 2006 (33%)
- Fewer than one in five respondents are unhappy ("moderately" or "very") – similar to last year's survey
- Less than one-third of advertisers report "mixed results" when asked for their satisfaction level

Source: Search Engine Marketing Professional Organization survey of SEM agencies and advertisers, Nov 08-Jan 09. Global Results. Copyright © 2009

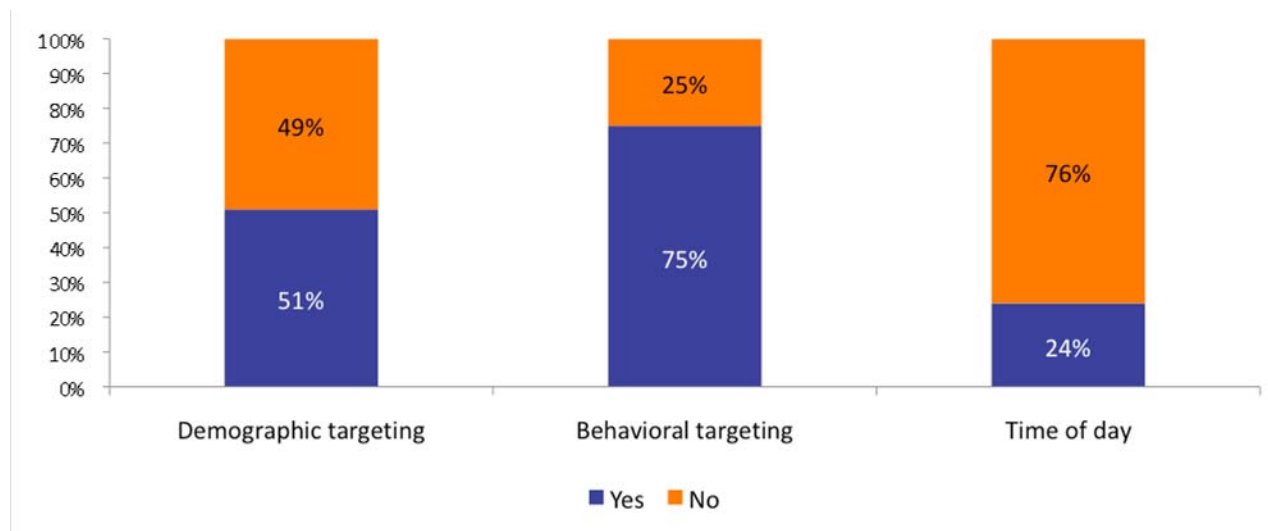
Advertisers Are Still Overwhelmingly Interested in Behavioral Targeting Opportunities

ADVERTISERS > TARGETING

- Three-quarters of advertisers indicated they were willing to pay more for behavioral targeting opportunities, particularly for in-market consumers
- There split interest in demographic targeting that allows marketers to reach certain demographics such as age and gender, however advertisers are not particularly enthralled by the prospect of daypart targeting
- Advertisers on average would pay about 10% more for both demographic and daypart targeting, and 13% more for behavioral targeting

Willingness to Pay More for Certain Types of Targeting

"Are you willing to bid more for clicks based on the following types of targeting criteria"



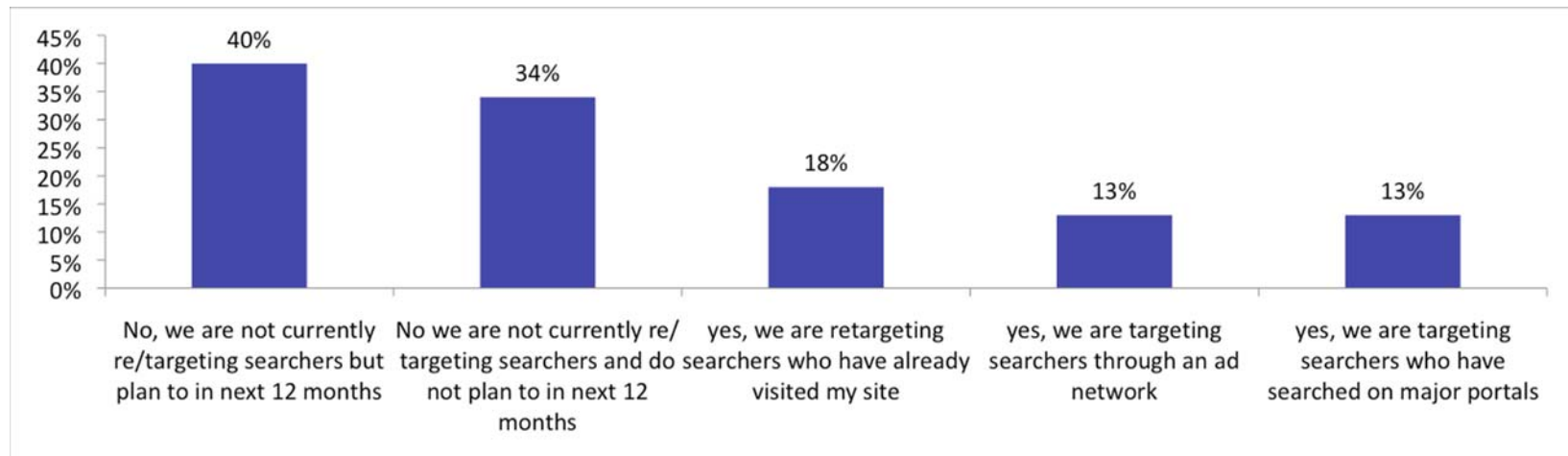
Search Retargeting Based on Behavior Is Still In Its Infancy, Despite Strong Interest

ADVERTISERS > TARGETING

- While advertiser interest in behavioral targeting is very strong and virtually unchanged from last year, actual investment is still low
- Two in five advertisers said they are not currently targeting or retargeting searchers but plan to in the next 12 months
- Over a third (34%) said they are not currently targeting or retargeting searchers and do not plan to in the next 12 months
- More than two in five (44%) said they were targeting searchers either through an ad network, a portal or who had previously visited their site

Advertisers Interest in Behavioral Targeting for Search Retargeting

"Are you using behavioral targeting solutions for search retargeting? [Multiple Responses Allowed]"



Thank You

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