



THE STATE OF

# Digital Advertising

# 2017

Based on a survey among more than 500 digital marketers, this report explores the digital advertising landscape, the trends driving the industry's future, and the challenges to overcome.

---

**ClickZ** | *Intelligence*

SPONSORED BY

**Marin**  
SOFTWARE

# Contents

---

	<b>Introduction</b>	
	Challenges and opportunities for digital advertising	3
01	<b>The state of search</b>	
	How will trends in 2016 shape search investment in 2017?	5
02	<b>The state of social</b>	
	How will trends in 2016 shape social investment in 2017?	14
03	<b>Mobile: trends and challenges</b>	
	How are advertisers coping with the mobile-first mentality?	21
04	<b>The future of display advertising</b>	
	Where next for the humble banner ad?	29
05	<b>2017 and beyond</b>	
	What does the future hold for advertising?	34
06	<b>Conclusion &amp; Appendix</b>	
	An oncoming transformation	38

# Introduction

---

**2016 was an exciting and momentous year in the advertising industry. Following on from 2015, which saw one of the most significant milestones in the evolution of digital marketing as the volume of searches on mobile overtook desktop for the first time, mobile continued to gather speed.**

In late 2016, worldwide internet use on mobile definitively surpassed that of desktop, and the development of technology connected with mobile has continued to flourish. Our *State of Digital Advertising 2017* global survey, carried out in December 2016, reflects the spirit of the age, including how investment in mobile advertising in paid search and social media is almost as high as that of desktop. This bodes well for advertisers who are evidently keeping pace with emergent ways people consume media.

The steady increase in consumer usage of mobile devices has also dominated the search marketing industry, with Google's removal of the right-hand ad rail optimising search results for mobile, and news of the search company's upcoming switch to a mobile-first search index planned for early in 2017. Our survey found that these developments coincided with a rise in advertisers increasing their investment in paid search, with 77% of advertisers who invest in mobile paid search upping their spend on PPC between 2015 and 2016. However, the survey also found that many advertisers do

not feel they have the expertise required to deliver mobile campaigns, particularly when it comes to attributing ROI.

Nevertheless, investment in paid desktop advertising in search and social remain strong as advertisers recognise the importance of cross-device and cross-channel advertising. Although visual social networks such as Instagram, Pinterest and Snapchat are increasingly attracting attention and investment from advertisers, Facebook continues to reign supreme across the social media advertising landscape. But 2016 brought the news that Facebook is exhausting the available ad space in users' News Feeds, and it will need to diversify in order to stay on top in 2017 and beyond (see Chapter 2).

Meanwhile, we have seen the rise of voice-activated smart hubs and the continuation of an 'always on' culture. *Mary Meeker's Internet Trends 2016* report highlighted that while sales of the iPhone appear to have peaked in 2015 and are on the decline, sales of the Amazon Echo are climbing steadily upwards.<sup>1</sup> Accordingly, some advertisers are turning their attention to new trends and developments such as artificial intelligence, digital assistants and voice search.

Digital advertisers in 2017 have an increasingly challenging task of continuing to deliver ROI while keeping up with these new developments. However, they also have the chance to get in on the ground floor of some incredibly exciting new opportunities which could see a complete transformation in the way we advertise.

<sup>1</sup> <https://searchenginewatch.com/2016/06/03/what-does-meekers-internet-trends-report-tell-us-about-voice-search/>

# Overview of key findings

---

In partnership with Marin Software, this ClickZ Intelligence report, *State of Digital Advertising 2017*, is based on a global survey among more than 500 advertising professionals, both agencies and brands, across various industries. The key findings of the research are as follows:

## **Advertisers blame lack of budget and expertise for not investing in paid social or paid search on desktop.**

Globally, the most named reason for not currently investing in paid search advertising on desktop was a lack of budget, cited by 41% of advertisers, while 23% said it was a lack of expertise. In paid social, 28% of advertisers named lack of budget as their primary reason for not investing, while again, 23% blamed a lack of expertise.

## **Replicating campaigns across search providers was named as advertisers' biggest challenge around delivering ROI.**

37% of advertisers said that replicating campaigns across Google, Bing, Yahoo or other search providers as the biggest challenge around delivering ROI from paid search, while 31% said that 'lack of support for investing in paid search' was their organisation's greatest challenge – this was cited second most frequently.

**Advertisers experience similar challenges with paid social**, with 28% citing 'Difficulty adapting campaigns to various different platforms' as their biggest challenge around delivering ROI from paid social.

## **Unsurprisingly, Google is still king in paid search investment, but Bing is emerging.**

Organisations investing in Google are allocating an average of 83% of their spend to the search company, while those investing in Bing are allocating 20% of their total paid search spend

in the search engine, on average. Seventy-two per cent plan to increase their investment in Google over the next 12 months, while 36% plan to do the same on Bing.

## **Businesses are least confident in display, Flash, or programmatic advertising delivering returns.**

Nearly half (48%) of the advertisers surveyed picked this out of a list of four as the least likely to deliver returns. Behavioural retargeting/remarketing is generally considered to perform better, with 44% of advertisers rating their ROI from desktop retargeting/remarketing as 'excellent' or 'good', and 38% giving the same rating to retargeting/remarketing on mobile.

## **Advertisers are still flummoxed by mobile.**

'Lack of understanding of mobile advertising techniques' was named as one of the biggest challenges around delivering ROI on mobile, with 35% of advertisers citing this, though this was closely followed by 'difficulty in measuring ROI on mobile', at 32%. However, advertisers in Asia are more likely to favour mobile-oriented methods of advertising than advertisers in other parts of the world, such as in-app advertising, SMS/MMS advertising, mobile paid search and mobile paid social.

## **Looking ahead to 2017, the top priorities for businesses will be content marketing (42%), search marketing (39%) and social media (30%).**

While many businesses are also focusing on up-and-coming areas of advertising such as social commerce (11%), AI (7%) and smart hubs (4%), the basics are still front and centre of their advertising efforts.

*NB: Percentages may not sum to 100% due to rounding.*

01

---

# The state of search

How will trends in  
2016 shape search  
investment in 2017?

# How will trends in 2016 shape search investment in 2017?

**As an advertising channel, search can be one of the best ways to reach consumers when they are in the process of actively researching a product.**

Whether it's quickly searching for the location of a restaurant on mobile on the go, or beginning the research process for a high-consideration purchase like a new car by comparing manufacturers, search is the channel that most businesses need to invest in if they want to be top-of-mind during the online customer journey.

Collectively, nearly three-quarters (74%) of survey respondents reported that they are currently investing in paid search advertising on desktop, slightly more than invest in paid social media (73%) or display advertising (70%) [Figure 1]. Investment in display advertising appears high despite the fact that advertisers are generally seeing lower returns from display, a phenomenon we

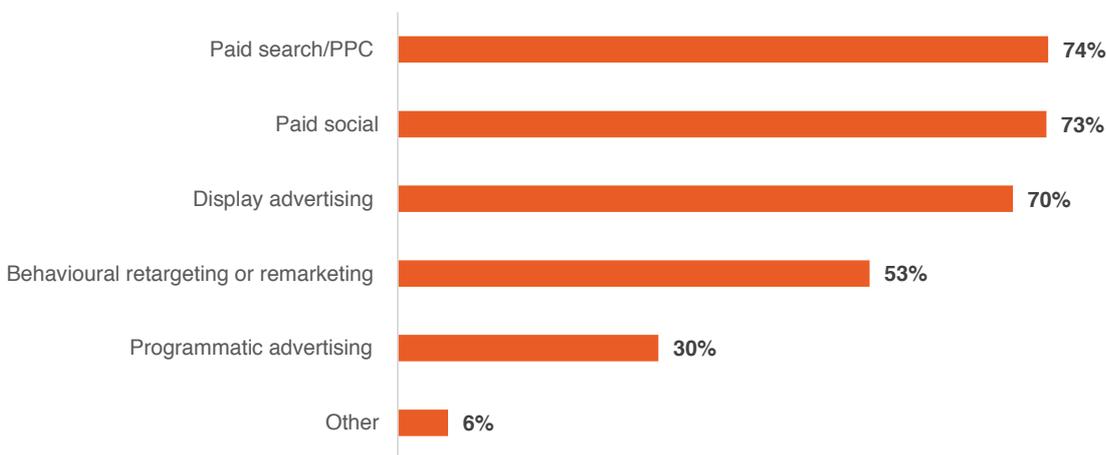
examine more closely in Chapter 4.

Among those advertisers who are not investing in paid search on desktop at present, the most common reason from a global perspective is budget constraints (41%). Lack of expertise was the second-most cited with 23%.

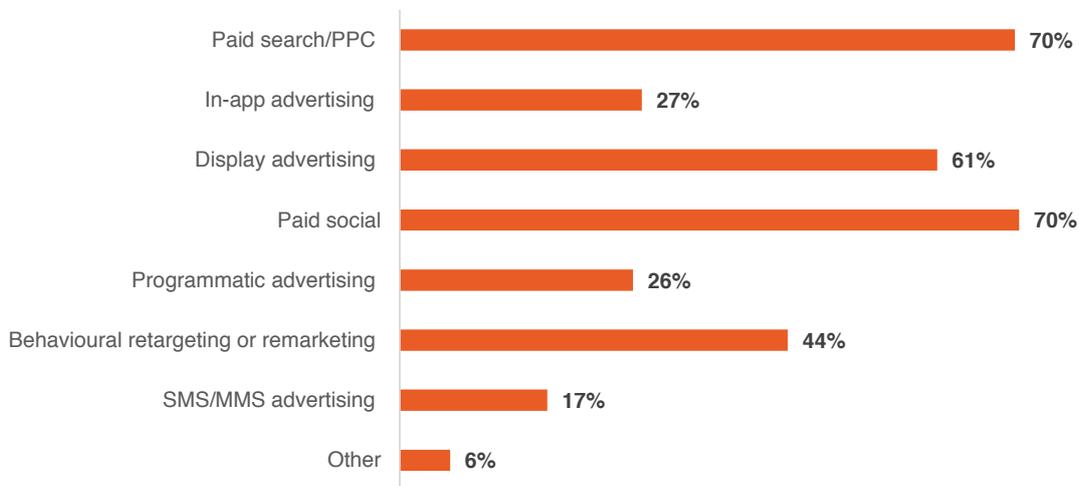
Between advertisers from the UK and the US, some contrasts emerged between their reasons for not investing in paid search on desktop, as well as some similarities. Both groups of advertisers cited budget as their primary constraint, with 45% of advertisers from the UK citing this as their reason for not investing, compared with 42% of advertisers from the US.

Advertisers from the UK were far more likely to cite seasonality as a motivation for not investing in paid search, with 20% of UK advertisers citing this obstacle versus just 4% of US advertisers who cited it as a problem.

**Figure 1**  
**Most popular methods of paid advertising on desktop**  
*Global respondents*



**Figure 2**  
**Most popular methods of paid advertising on mobile**  
*Global respondents*



Over the last decade, search advertising technologies have become more advanced and complex, and many respondents are still encountering a steep learning curve when it comes to making full use of the capabilities of paid search. This, combined with a limited search advertising budget, can be a major constraint for advertising teams, especially in markets where the cost per click for desired keywords is extremely high – such as law.

To save money, marketers can employ techniques such as strategic ad scheduling and location targeting, where ads will run only during peak times and target only desired locations. Additionally, partnering with an ad tech provider with these capabilities can help to counter the lack of technical knowledge so many advertisers face utilising this channel.

The percentage of advertisers investing in paid search on mobile is almost as high as desktop, with 70% of advertisers reporting that they currently invest in mobile PPC – showing that advertisers are already invested in engaging mobile audiences. For some, this approach may

pay dividends later in 2017, when Google splits its search index between mobile and desktop and truly becomes a ‘mobile-first’ search engine, with mobile being its primary index for search.<sup>2</sup>

Google’s first ‘Mobilegeddon’ algorithm update was rolled out in April 2015, and made mobile-friendliness and indexed apps ranking factors in search for the first time.<sup>3</sup> This, combined with Bing also making mobile-friendliness a ranking signal in search for the first time – albeit without penalising sites that weren’t optimised for mobile – may have had a significant impact on the number of marketers investing in mobile paid search.

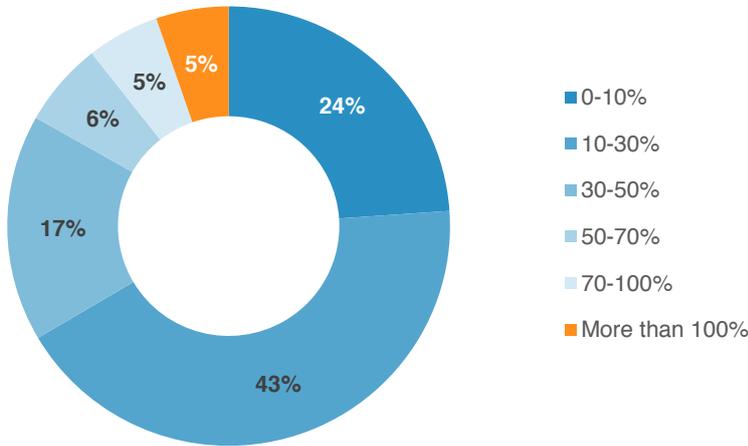
It therefore comes as no surprise that 76% of advertisers reported that they increased their paid search investment across desktop and mobile between 2015 and 2016.

The reasons given by advertisers globally for not currently investing in mobile paid search were similar to those given for desktop paid search, with an average of 46% citing budget constraints, and 29% citing lack of expertise.

<sup>2</sup> <https://searchenginewatch.com/2016/10/18/google-index-set-to-go-mobile-first-within-months/>

<sup>3</sup> <https://searchenginewatch.com/sew/news/2397418/google-adds-mobile-friendliness-and-indexed-apps-as-ranking-factors>

**Figure 3**  
**Increase in paid search investment across desktop and mobile (2015-2016)**  
*Global respondents*



As with paid search advertising on desktop, seasonality was a much bigger obstacle to investing in mobile paid search for advertisers in the UK compared with the US – 17% of UK advertisers cited this as a reason for not investing in paid search on mobile, versus just 2% of advertisers from the US.

Advertisers from the UK were also significantly more likely to cite lack of budget as an obstacle to investing in paid search on mobile, with 61% of UK advertisers citing this as a reason for not investing in mobile paid search, versus 43% from the US.

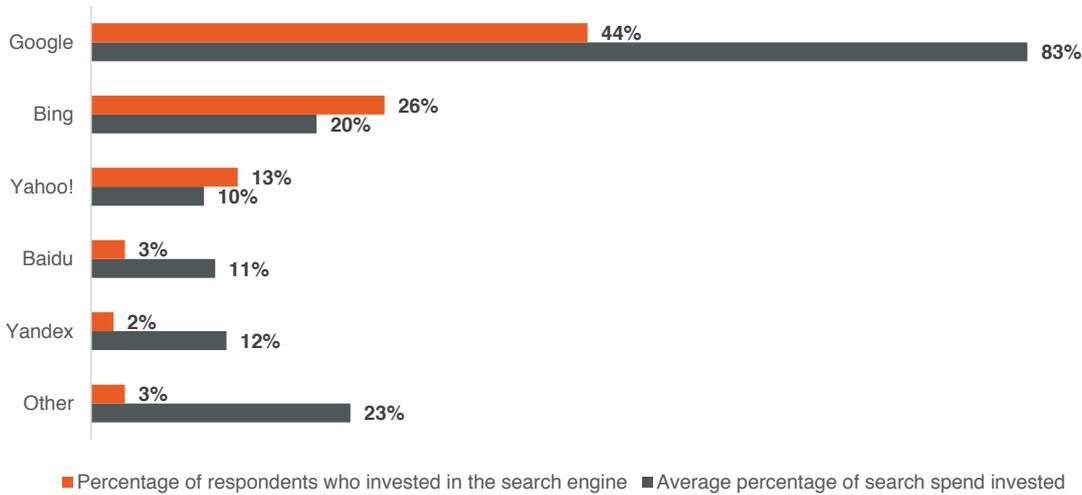
The fact that these figures are still higher than for desktop paid search shows that advertisers are still finding less room in their budget, and are less able to call upon the right expertise, for investing in paid search on

mobile. However, that they are not significantly higher shows the gap between desktop and mobile paid search investment is steadily closing.

A further strengthening of Google and Bing’s search intent capabilities, which extend user searches by matching search intent with relevant advertisements, combined with news of Google’s upcoming split index, may close that gap even further.

As laptops become smaller and more ‘mobile-like’, while phones become larger and integrate more tablet-like capabilities, we may begin to see the blurring of devices. This could be a significant driver of mobile as a priority for advertisers, reducing the need for cross-device optimisation.

**Figure 4**  
**What percentage of your paid search budget do you currently allocate to each of the following channels to each of the following channels?**  
*Global respondents*



Into which search engines are advertisers investing most of their PPC budget? Google is still king, with Bing the closest viable contender in favour of disrupting Google’s dominance. Organisations investing in Google are allocating an average of 83% of their spend to the search company [Figure 4], while those investing in Bing are allocating 20% of their total paid search spend on average.

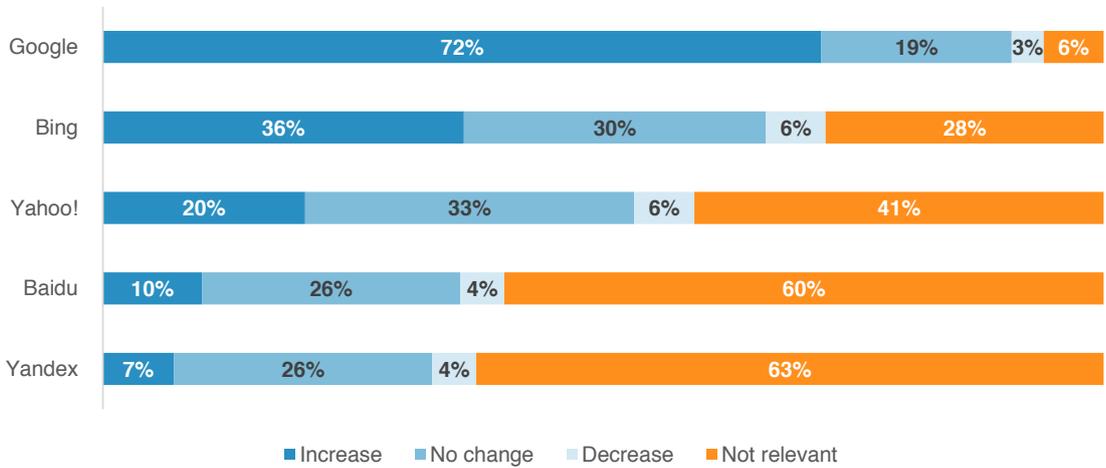
Bing’s share of the search market has been slowly encroaching on Google’s in recent years. In 2015, Bing

officially reached 20% of market share in the US,<sup>4</sup> and in 2016 celebrated hitting the same milestone in the UK. In April 2016, comScore reported that Bing’s share of the search market had grown more than Google’s – growing by 0.2% while Google’s shrank by 0.2%.<sup>5</sup> More than a third of respondents (36%) say they plan to increase their investment in paid search on Bing over the next 12 months, while 72% plan to do the same with Google [Figure 5].

<sup>4</sup> <http://www.comscore.com/es/Insights/Market-Rankings/comScore-Releases-March-2015-US-Desktop-Search-Engine-Rankings>

<sup>5</sup> <https://www.searchenginejournal.com/bings-share-search-market-growing-faster-googles/164425/>

**Figure 5**  
**Anticipated change to spend on paid search / PPC over the next 12 months**  
*Global respondents*



Bing’s exclusivity agreement to be the default search behind Siri’s web searches on Apple devices makes Bing an attractive prospect for advertisers who might be looking to target iPhone users in particular. This, combined with similar agreements to be the default search on Xbox and Amazon’s Kindle Fire HD, opens up a number of new avenues for marketers aiming to have a presence across different devices.

Despite the more than 700 million-strong market of Chinese internet users served by search engines in China, a majority of advertisers (60%) reported that Baidu was not relevant to their interests as a search engine, with 63% saying the same for Russian search engine Yandex [Figure 5]. However, 10% of advertisers are still planning to increase their investment in Baidu paid search over the next 12 months, with 7% planning to do the same with Yandex.

## The ROI of paid search

What kind of returns are advertisers seeing from their paid search investment? Twenty-one per cent of advertisers rated their ROI from desktop paid search as ‘excellent’, while 33% rated it ‘good’, making it the most successful advertising channel in delivering ROI, of those named in the survey [Figure 6].

Mobile paid search was also highly rated as a channel for delivering strong ROI. Fifteen per cent of advertisers rated their ROI from mobile paid search as ‘excellent’, while 27% rated it ‘good’.

Advertisers from B2C organisations were more positive overall towards their ROI from paid search on desktop, with 21% of B2C advertisers rating their ROI from desktop paid search as ‘excellent’ and 42% rating it ‘good’, compared with 20% of B2B advertisers who rated their ROI from desktop paid search as ‘excellent’ and 33% who rated it as ‘good’.

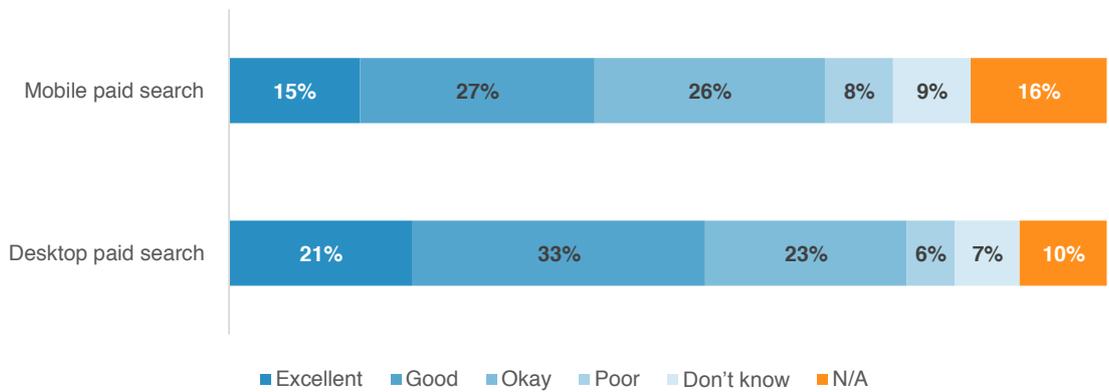
These findings held true for mobile paid search as well, with 15% of B2C advertisers rating their ROI from

paid search on mobile as ‘excellent’ and 33% rating it as ‘good’, versus 11% and 22% of B2B advertisers, respectively.

When asked to name their organisations’ biggest challenges around delivering ROI from paid search, responses were very evenly split among the various options. The most cited challenge, selected by 37% of advertisers overall, was ‘difficulty replicating campaigns across Google, Bing, Yahoo or other search providers’ [Figure 7]. This may prove an obstacle for those advertisers who intend to increase their investment in search engines other than Google, particularly where they haven’t previously invested in search campaigns with that provider.

A recent update to Bing Ads may provide some assistance to advertisers who are struggling to replicate campaigns across Google and Bing, however. Bing Ads’ Google Import tool has long offered the ability to import campaigns from Google Adwords directly to Bing Ads, and in late January, Bing updated the tool to offer Automated Imports: automatic syncing between Google

**Figure 6**  
**"How would you rate your ROI from the following online advertising channels?"**  
*Global respondents*



Adwords and Bing Ads.<sup>6</sup> This new functionality may help to drive more advertisers towards splitting their spend across both Google and Bing, as well as eliminating some of the difficulty advertisers are already experiencing with replicating campaigns.

‘Lack of support for investing in paid search’ was the second most cited obstacle globally (31%). Although

advertisers have generally noted a strong ROI overall from paid search, 25% nevertheless cited ‘lower conversion rates compared to other forms of advertising’ as their organisation’s biggest challenge around delivering ROI from paid search. A further 22% noted that they lack a thorough understanding of paid search advertising techniques.

<sup>6</sup> <https://advertise.bingads.microsoft.com/en-us/blog/post/january-2017/stay-on-top-of-campaigns-across-platforms-with-automated-imports>

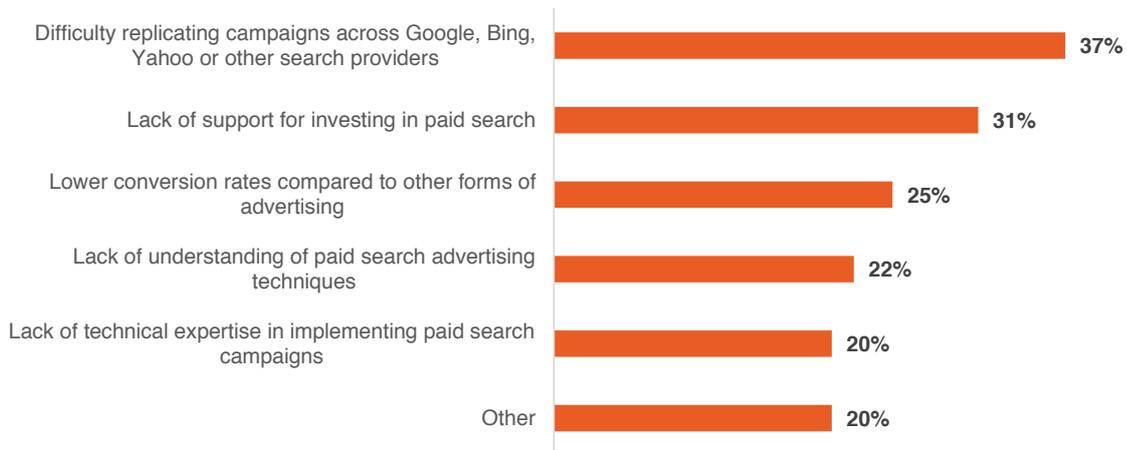
## 01 The state of search – How will trends in 2016 shape search investment in 2017?

As one survey respondent explained: “For our part, there is general lack of knowledge with SEO and a lack of metrics expertise or infrastructure. In its place there is a general belief that PPC is required; therefore, the product is over-used rather than only when it should be, making it less likely to provide a return on investment.”

Some of these obstacles no doubt overlap with one another, as a low conversion rate from any advertising channel can lead to a lack of support for investing from high up, and a lack of understanding of how best to advertise on any given channel is likely to result in low conversions.

### Figure 7 Biggest challenges associated with delivering ROI from paid search

Respondents currently investing in desktop or mobile



### Challenges for 2017

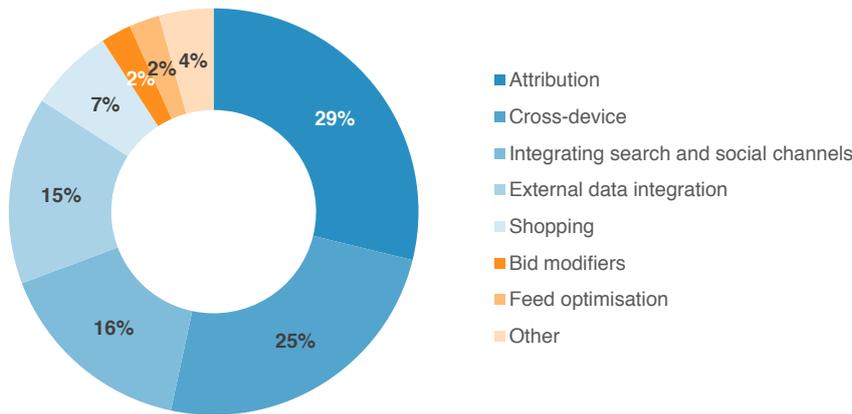
Attribution was predicted by advertisers to be the most challenging area of paid search in 2017, cited by 29% of global respondents. Cross-device was also seen as a significant challenge, cited by 25% of advertisers [Figure 8].

When analysing the various challenges by region, advertisers in the UK were more likely to struggle with implementing cross-device than those in the US (29% of UK respondents cited it was a challenge, compared with 19% of those in the US).

UK advertisers were also more than twice as likely to foresee integrating search and social channels as a challenge when implementing paid search campaigns in 2017, with 26% of UK advertisers citing this as their greatest challenge, versus just 12% of respondents from the US.

Advertisers from the US were slightly more likely to cite attribution as a challenge for their paid search campaigns in 2017, with 37% of US advertisers citing this as their greatest challenge, versus 31% of advertisers from the UK.

**Figure 8**  
 "What area of paid search do you foresee being the greatest challenge in 2017?"  
 Global respondents



02

---

# The state of social

How will trends in 2016  
shape social  
investment in 2017?

# How will trends in 2016 shape social investment in 2017?

**Compared to well-established online advertising channels like display advertising and search, social media advertising is relatively young.**

Facebook and LinkedIn first began offering ads in 2005 and 2006 respectively, but other mainstays of today's social advertising landscape such as Twitter, Instagram and Pinterest only began selling advertising from 2010 onwards.

In spite of this, the spread and popularity of social media advertising today is comparable to that of search and display advertising, and social media is considered an

indispensable part of many brands' marketing strategies.

It is important to note that in the *State of Digital Advertising 2017* survey, we specifically asked about respondents' investment in paid social media such as sponsored posts and advertising on social networks, not about social media marketing as a whole. Many companies invest time and resources into social media without directly paying for advertising on social networks, and see good returns from it as a marketing channel. However, we were specifically interested in examining the use of paid social media.



### Paid social media: What are the returns?

Among survey respondents globally, paid social as a method of online advertising is almost equal in popularity to paid search advertising. Nearly three-quarters (73%) of advertisers reported that they are currently investing in paid social advertising on desktop, with 70% of advertisers reporting that they are investing in paid social advertising on mobile [Figure 2].

Among those advertisers who are not currently investing in paid social on desktop, the most common reason was budget constraints (28%). B2C advertisers were slightly more likely to cite this as an issue than B2B, with 31% of B2C advertisers reporting a lack of budget for desktop paid social, versus 28% of B2B [Figure 9]. Those respondents who identified themselves as both

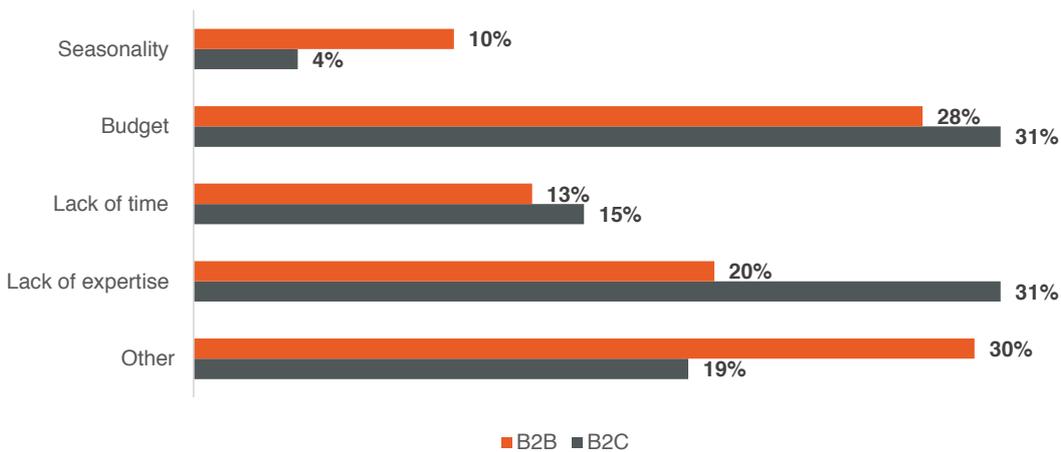
B2B and B2C were excluded from this part of the analysis.

Lack of expertise (23%) was the second most cited obstacle out of the options given, but a higher percentage of advertisers (26%) chose ‘other’. Among the reasons cited by advertisers who picked ‘other’ were lack of ROI, poor conversion rate, lack of customer interest in social media, and the fact that free social media is already performing well enough for the needs of the business.

B2C advertisers are more likely to cite lack of expertise as a reason for not investing in paid social advertising on desktop, with 31% of B2C advertisers citing this as an obstacle versus 20% of those from B2B organisations.

Among the advertisers who said they are not investing in paid social on mobile, budget constraints were again the most commonly cited obstacle (cited by 33%), with lack of expertise coming in second (cited by 24%).

**Figure 9**  
**Primary reasons for not investing in paid social advertising on desktop**  
*Global respondents*

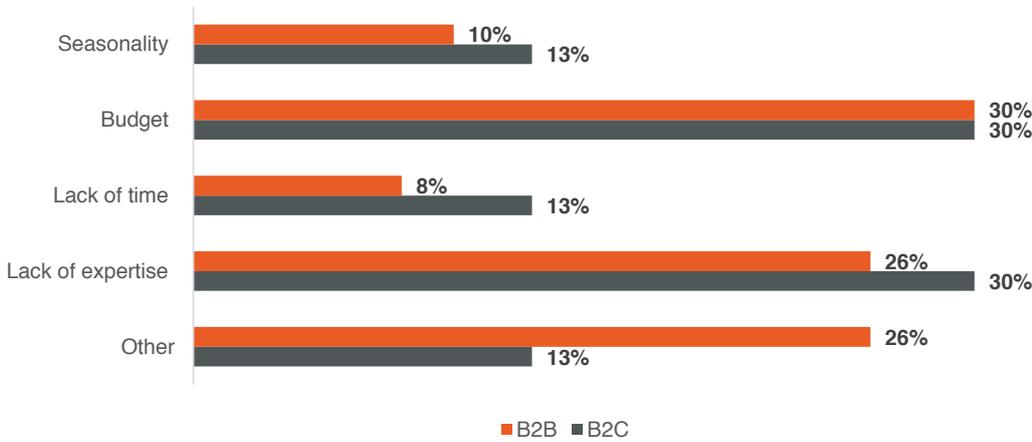


In an interesting change from desktop, B2B and B2C advertisers are equally likely to cite budget constraints as an obstacle to investing in paid social on mobile, with 30% of both groups citing budget constraints as their reason for not investing [Figure 10].

B2C advertisers were again more likely to cite lack

of expertise as a reason for not investing in paid social advertising on mobile, with 30% of B2C advertisers citing this, versus 26% of B2B. B2C advertisers were also more likely to cite time constraints, with 13% of B2C advertisers choosing this option as a reason for not investing, versus 8% of B2B.

**Figure 10**  
**Primary reasons for not investing in paid social advertising on mobile**  
*Global respondents*



As we saw previously with paid search advertising on desktop, some differences emerged between advertisers from different regions and the reasons which they cited for not investing in paid social advertising. Both advertisers from the US and the UK cited budget as their primary obstacle to social advertising on desktop: 27% and 37% respectively.

Just as with desktop paid search, UK advertisers were far more likely to cite seasonality as a reason for not investing in paid social advertising on desktop, with 16% of UK respondents citing this compared with just 2% of advertisers from the US.

Advertisers from the UK were also much more likely to cite budget as a reason for not investing in mobile paid social, with nearly half of UK advertisers (48%) citing this as an obstacle, versus less than a third (29%) of advertisers from the US.

The vast majority of advertisers globally reported that their investment in paid social advertising increased between 2015 and 2016, with 75% reporting an increase. Seven per cent of advertisers decreased their investment in paid social advertising over the same period, while 18% reported that their investment stayed the same.

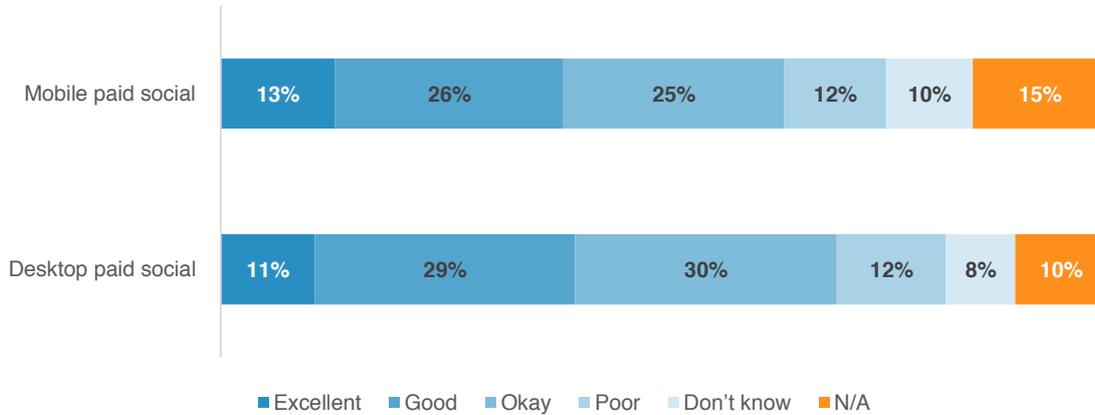
Among those who increased their investment in paid social between 2015 and 2016, the largest percentage of respondents (40%) increased investment between 10 and 30%, while a further 17% increased their investment between 30 and 50%. Just over a tenth of advertisers (11%) increased their investment in paid social by between 70 and 100%, a significant percentage. But how well is this increased investment paying off?

On a scale of ‘excellent’ to ‘poor’, 11% of survey respondents rated their ROI from paid social advertising on desktop as ‘excellent’, and a further 29% rated it as ‘good’.

A slightly higher percentage of advertisers (13%) rated their ROI from mobile paid social as ‘excellent’, while 26% rated it as ‘good’. A further 12% of advertisers rated their desktop paid social ROI as ‘poor’, while 12% gave the same rating to their ROI from mobile paid social [Figure 11].

When comparing advertisers from B2B organisations versus those who are B2C, their assessments of social ROI were broadly similar across the board. For paid social advertising on desktop, B2C advertisers were slightly more likely to rate their ROI as ‘okay’ rather than

**Figure 11**  
**"How would you rate your ROI from the following online advertising channels?"**  
*Global respondents*



‘excellent’ or ‘good’, with 34% choosing this rating versus 25% choosing ‘good’ and 9% choosing ‘excellent’. Twenty-six per cent of B2B advertisers rated their ROI as ‘okay’, versus 28% who rated it ‘good’ and 11% who rated it as ‘excellent’.

B2C advertisers were more likely to give the highest rating to their ROI from paid social advertising on mobile, with 16% choosing a rating of ‘excellent’ versus 9% of B2B advertisers. B2B advertisers were also more likely to rate their ROI from paid social on mobile as ‘poor’, with 15% choosing this rating versus 11% of advertisers from B2C companies.

When asked to select the single advertising channel they see as least likely to deliver returns for their business, nearly a quarter of advertisers as a whole (23%) chose paid social advertising. The reasons for this were varied, but mostly revolved around a lack of direct conversions from social media or the fact that it is mostly useful for top-of-funnel/brand awareness advertising.

One respondent said: *“Paid social has been a struggle to run as a DR channel, due to the fact that you can’t*

*target intent as well as search.”*

Another respondent said: *“I’ve seen zero evidence that paid social converts anywhere near what other channels can do. Not to say it doesn’t work, but to stack them up side by side it is no contest.”*

A third respondent said: *“Social is great for us on a brand awareness level, but because we don’t have anything to sell to this audience, we find it very difficult internally to demonstrate the ROI to business owners who don’t understand brand awareness.”*

In light of these responses, it is unsurprising that when advertisers were asked to name their organisation’s biggest challenge around delivering ROI from paid social, the most-cited challenge was ‘Lower conversion rates compared to other forms of advertising’ (cited by 36%). Tied in second place were a lack of support for investment in paid social (28%) and difficulty adapting campaigns to various different platforms (Facebook, Instagram, Twitter etc.).

## Facebook’s expanding ad offering

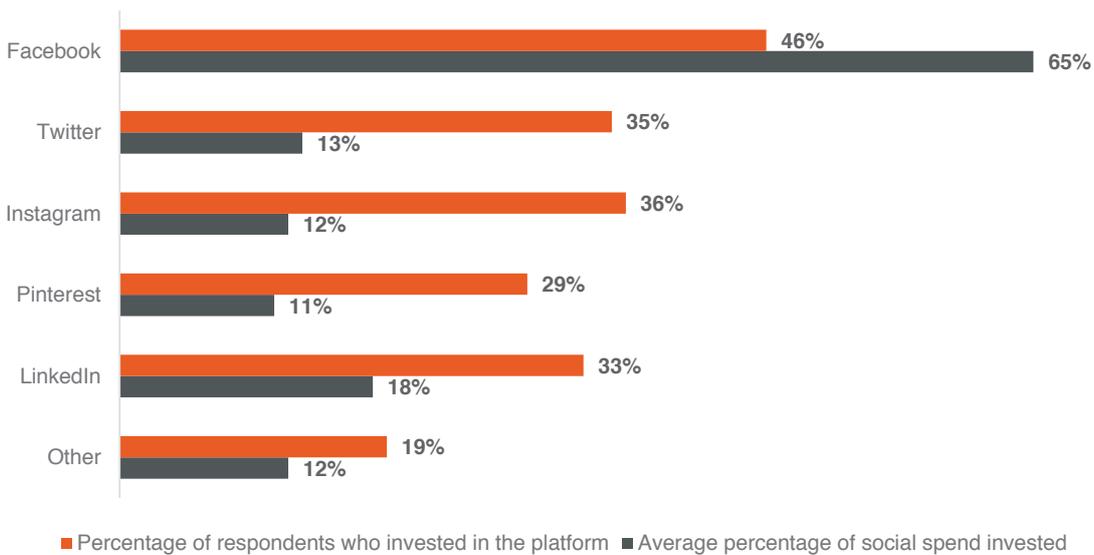
When it comes to advertisers’ level of investment across various social media channels, Facebook was dominant, with an average of 65% of advertisers’ paid social media spend allocated to the platform [Figure 12]. Advertisers from B2C organisations are investing the most heavily in Facebook as a social platform, investing an average of 84% of social spend in Facebook. Advertisers from B2B organisations are investing far less by comparison, with an average of 45% of their social spend invested in Facebook. Facebook continues to pour much of its efforts into making itself an attractive platform for advertisers; in April 2016, it began testing sponsored messages on its Messenger app, which had until then been un-monetised, and in November 2016 opened

them to all advertisers.<sup>7</sup> Information has also been leaked that mid-roll advertisements may soon be coming to Facebook video, which Facebook has so far held back on monetising too heavily.<sup>8</sup>

*recode* reported in July 2016 that Facebook is nearing the maximum level of advertising that it can offer in a user’s News Feed, and is aiming to improve the quality of its ad offerings to compensate, as well as expanding into other products where it can sell ads.<sup>9</sup> We are already seeing the beginnings of this expansion, and we can expect to see Facebook innovate further as the year progresses.

All other social platforms trail fairly distantly behind Facebook, with LinkedIn, the platform with the second-largest proportion of social investment among advertisers, taking close to a fifth of advertisers’ social spend on

**Figure 12**  
**"What percentage of your paid social budget do you currently allocate to each of the following channels?"**  
*Global respondents*



average (18%), but coming in a full 47 percentage points behind Facebook. Perhaps surprisingly, the average percentage of social spend that advertisers are investing in Twitter (13%) barely exceeds that of Instagram (12%) or Pinterest (11%). Advertisers from B2B organisations are investing more heavily in LinkedIn than their B2C

counterparts, committing an average of 37% of their social spend to the platform (by comparison, B2C advertisers are investing just 6%). As we will see in the next section, many of them are expecting to ramp up this spending over the next 12 months in a bid to reach more businesses through LinkedIn.

<sup>7</sup> <https://www.clickz.com/facebook-opens-messenger-sponsored-messages-to-all-advertisers/107782/>

<sup>8</sup> <https://www.clickz.com/facebook-to-get-mid-roll-video-ads-share-revenue-with-users-report/108881/>

<sup>9</sup> <http://www.recode.net/2016/7/27/12305002/facebook-ad-load-q2-earnings>

### The future of social media investment

Over the coming 12 months, 61% of advertisers plan to increase their investment in Facebook even further, while 40% plan to do the same with Instagram and LinkedIn, respectively. The increased interest in LinkedIn may be due to the expansion of its advertising offerings with Sponsored InMail, which initially launched in March 2016, and opened up to self-service campaigns in November 2016.<sup>10</sup>

Advertisers from B2C organisations are significantly more likely to be increasing their investment on Facebook as a social platform than advertisers from B2B organisations, with 62% of B2C advertisers saying they plan to increase investment in Facebook over the next 12 months, versus 46% of B2B advertisers. Even more than Facebook, the primary platform on which B2B advertisers are planning to increase their spending is LinkedIn. Nearly half (47%) of B2B advertisers plan to increase social spending on LinkedIn (compared with 20% of B2C advertisers), showing the significant investment that B2B advertisers are making in reaching

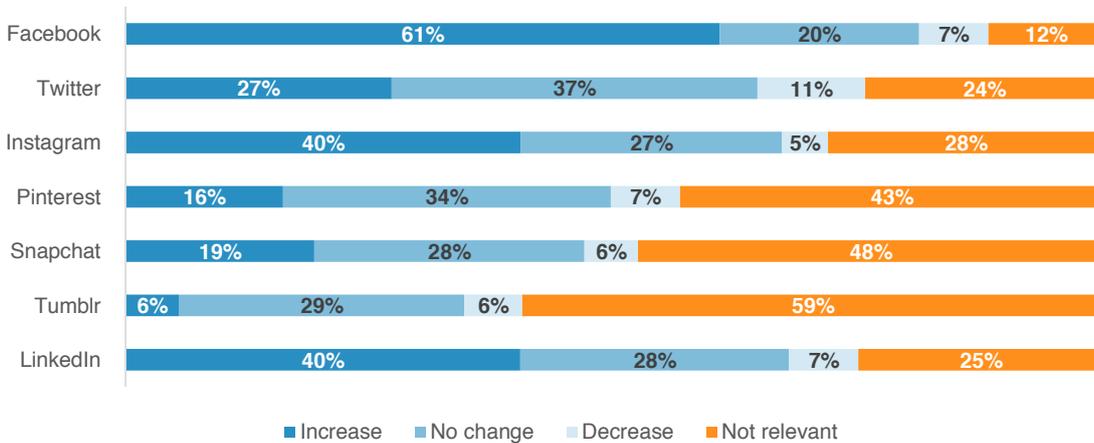
their business audience via social media.

Twenty-seven per cent of advertisers as a whole are planning to increase their investment in Twitter, although it is also noteworthy that Twitter had the highest percentage of advertisers who plan to decrease their investment in the platform (11%). For other platforms, the percentage of advertisers who planned to decrease their investment in each platform varied between 5% and 7% [Figure 13].

A significant number of advertisers also plan to increase their investment in Snapchat (19%) and Pinterest (16%), a sign that more advertisers may be getting on board with the trend towards visual social media channels. Snapchat in particular has made moves to court brands over the past year, focusing on the ‘3 Vs’ – Video, Vertical and Views – and implementing creative, wacky forms of advertising such as custom geofilters and sponsored lenses.

While the kind of advertising that turns a person’s face into a giant taco (in the style of the Taco Bell-sponsored lens<sup>11</sup>) won’t be for every brand, a growing number seem to be willing to give it a shot.

**Figure 13**  
**Anticipated change to spend on paid social over the next 12 months**  
*Global respondents*



<sup>10</sup> <https://www.clickz.com/linkedin-sponsored-inmail-goes-self-serve/108010/>

<sup>11</sup> <http://www.adweek.com/news/technology/taco-bells-cinco-de-mayo-snapchat-lens-was-viewed-224-million-times-171390>

03



# Mobile: Trends and challenges

# How are advertisers coping with the mobile-first mentality?

**Mobile-friendly. Mobile responsive. Mobile first. These terms have quickly become part of the everyday language of marketing and advertising as the industry adapts to the increasing importance of mobile devices, optimisation and attribution.**

But with worldwide mobile internet use having definitively surpassed desktop in late 2016<sup>12</sup> – accounting for 51% of

worldwide internet use, compared to 49% on desktop – it has become more important than ever for advertisers to be able to effectively deliver campaigns on mobile.

As we have seen in previous chapters, the investment among advertisers in mobile paid search and social media is comparable to that of desktop. However, many are still not achieving the same level of success in their campaigns on mobile, for various reasons.



<sup>12</sup> <https://searchenginewatch.com/2016/11/02/worldwide-mobile-internet-use-surpasses-desktop-for-the-first-time-ever/>

## Where and how are advertisers using mobile?

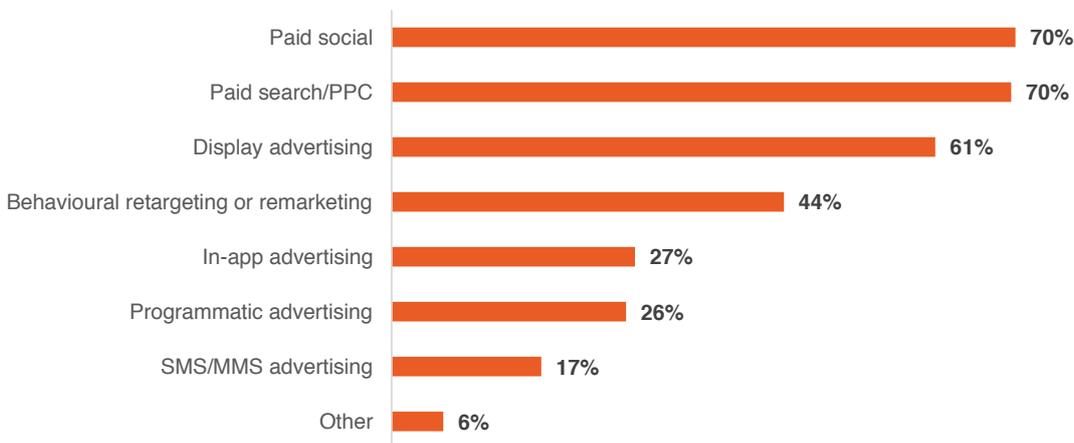
Among the advertisers surveyed, the most used methods of mobile advertising globally were paid social and paid search/PPC, tied at 70%. Display advertising was also popular, with 61% of advertisers reporting that they invest in display advertising on mobile.

SMS/MMS advertising proved to be the least popular advertising method, with 17% of advertisers reporting that they use this mobile advertising channel. Programmatic advertising was also relatively unpopular on mobile, used

by 26% of advertisers [Figure 14].

When looking at the prevalence of different advertising channels by region, a few other interesting trends emerged. ‘Mobile only’ advertising methods such as in-app advertising and SMS/MMS messaging were more popular among advertisers from Asia, with nearly two-fifths of Asian advertisers (39%) reporting that they invest in in-app advertising on mobile, and the same percentage investing in SMS/MMS messaging. This is compared to an average of 27% of advertisers globally who reported investing in in-app advertising, and 17% who reported investing in SMS/MMS advertising.

**Figure 14**  
**Most popular methods of paid advertising on mobile**  
*Global respondents*



In-app advertising was least popular among advertisers from the UK, with less than a fifth (19%) of UK advertisers reporting that they use in-app advertising. Of all the regions, SMS/MMS messaging was least popular among US advertisers, only 12% of whom reported investing in this advertising channel on mobile [Table 2].

Advertisers based in Asia also favour mobile paid search and paid social over desktop, with 72% of Asian advertisers investing in paid search and paid social on mobile, respectively, versus 67% who are investing in paid

search and paid social in desktop, respectively [Table 1].

It makes sense for advertisers to reach out to consumers in Asia using advertising methods specifically targeted towards mobile. Digital development in Asia has leapfrogged several stages of technological progress as seen in the west, going directly to a mobile internet rather than transitioning from computer, to laptop and finally to mobile; there is less of a market for desktop advertising than for mobile.

**Table 1**  
**Most popular methods of paid advertising on desktop (split by geography)**

	UK	Europe (excl. UK)	US	Asia	RoW
Paid search/PPC	71%	80%	78%	67%	75%
Display advertising	67%	60%	74%	72%	61%
Paid social	74%	47%	79%	67%	76%
Programmatic	25%	26%	35%	22%	27%
Behavioural retargeting	51%	52%	62%	33%	49%

**Table 2**  
**Most popular methods of paid advertising on mobile (split by geography)**

	UK	Europe (excl. UK)	US	Asia	RoW
Paid search/PPC	72%	59%	72%	72%	69%
Display advertising	56%	62%	66%	61%	56%
Paid social	68%	53%	74%	72%	74%
Programmatic	25%	22%	28%	17%	25%
Behavioural retargeting	51%	52%	62%	33%	49%
In-app	19%	21%	30%	39%	29%
SMS/MMS advertising	19%	16%	12%	39%	20%

## Optimising for mobile

We surveyed advertisers about their plans to adopt a range of tactics as part of a mobile-optimised approach to search marketing.

More than two-fifths of advertisers, respectively, reported that they plan to make use of location extensions (43%) and Remarketing Lists for Search Ads (42%) [Figure 15]. Forty per cent of advertisers also have plans to use Extended Text Ads on mobile, while 38% plan to make use of call extensions in their mobile advertising.

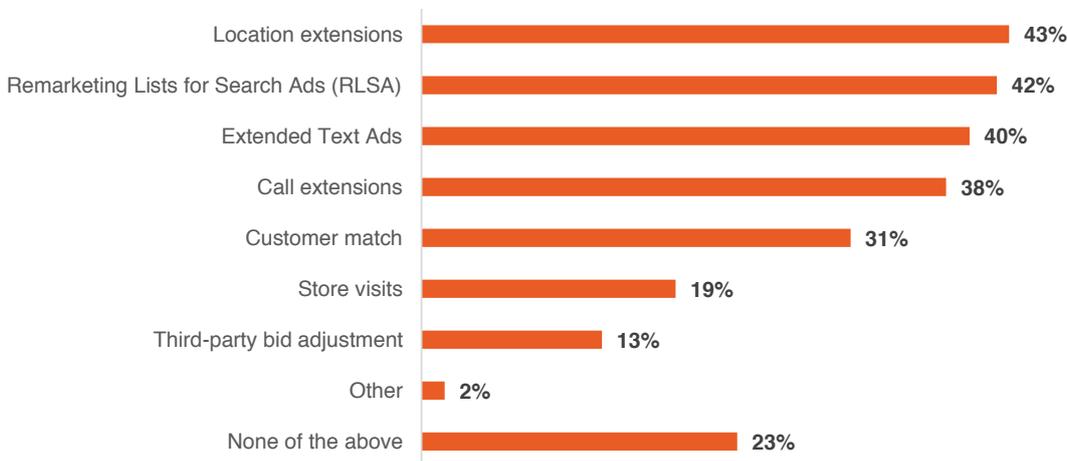
Commenting on their experience of using ad extensions on mobile, one advertiser said:

*“Ad extensions in general are quite powerful, not just the location or call specific ones. Otherwise RLSA tend to have a much higher conversion rate, which helps demonstrate ROI. Extended text ads have not been successful for us. We lack the resources internally to continually A/B test copy and adjust ads. The greater character allowance, in that sense, has been something of a curse.”*

**Figure 15**

**"Do you plan to adopt any of the following tactics as part of a mobile-optimised approach to paid search marketing?"**

*Global respondents*



## The ROI of mobile advertising

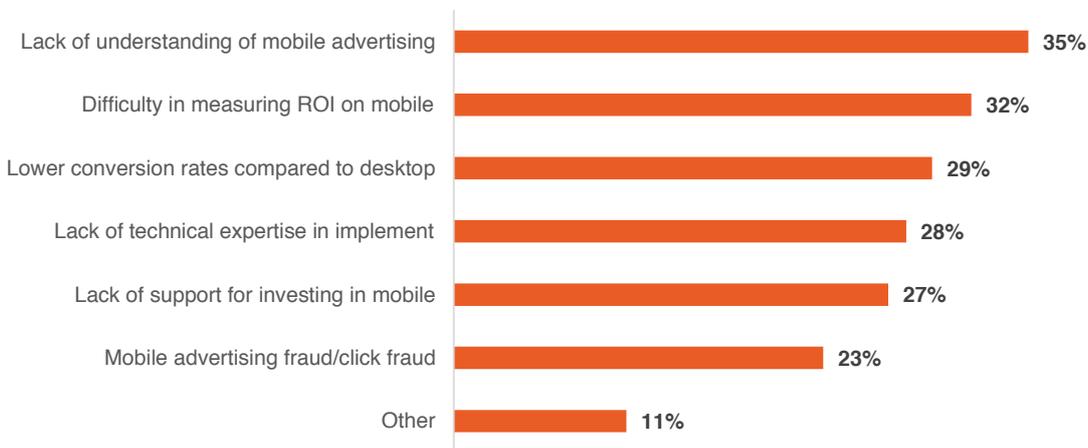
When asked to name their biggest challenges around delivering ROI on mobile, ‘Lack of understanding of mobile advertising techniques’ was the most cited (35%), followed by ‘Difficulty in measuring ROI on mobile’ (32%) [Figure 16]. The third most prevalent was ‘Lower conversion rates compared to desktop advertising’ (cited by 29%), and ‘Lack of technical expertise in implementing mobile advertising’ (28%) is also a widespread issue.

In other words, more than a third of advertisers believe that they lack an understanding of how to advertise on

mobile to begin with, or perhaps aren’t clued-up enough about how it differs from desktop. Meanwhile, close to a third aren’t seeing the conversions from mobile that they would like to, and are having difficulty pinpointing them where they do occur.

Advertisers in the US and UK gave noticeably different assessments of their ability to deliver ROI on mobile. UK advertisers were more likely to cite challenges associated with a fundamental lack of understanding of and support for the channel, while advertisers from the US were more likely to cite challenges associated with attribution, conversion rates and fraud.

**Figure 16**  
**Biggest challenges associated with delivering ROI on mobile**  
*Global respondents*



For instance, 39% of advertisers from the UK cited a lack of understanding of mobile advertising techniques as their biggest challenge associated with delivering ROI on mobile, versus 29% of respondents from the US. More than two-fifths of UK advertisers (41%) cited a lack of support for investing in mobile advertising, compared with less than a quarter (24%) of advertisers from the US.

Similarly, 39% of advertisers from the UK believe that their greatest obstacle to delivering mobile ROI is a lack of technical expertise in implementing mobile advertising, compared to 24% of advertisers from the US.

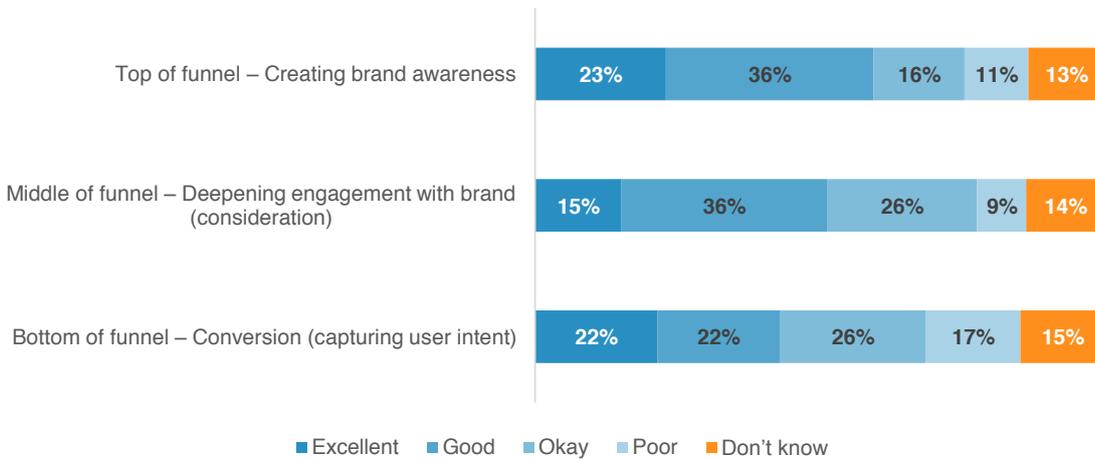
US advertisers were much more likely to cite difficulty in measuring mobile ROI as their key challenge in delivering ROI on mobile – 33% of US advertisers cited this versus 21% from the UK. Thirty-five per cent of US advertisers also cited lower conversion rates compared to desktop advertising, compared with 28% of UK advertisers. And US advertisers were nearly twice as likely to cite problems

with mobile advertising fraud/click fraud, with 24% citing this as a challenge versus 13% of UK advertisers.

When it came to rating the effectiveness of mobile advertising in addressing different stages of the marketing funnel, advertisers believed mobile to be most effective in top of funnel advertising (creating brand awareness), with 59% rating mobile advertising as ‘excellent’ (23%) or ‘good’ (36%) at addressing the top of funnel stage [Figure 17].

Mobile advertising was found to be comparatively less effective during the bottom of the funnel stage (conversion), with 44% of advertisers rating its performance in this stage as ‘excellent’ (22%) or ‘good’ (22%) and 17% rating it as ‘poor’. This is consistent with our overall findings that although many advertisers are investing in mobile as an advertising channel, they aren’t seeing the same level of direct returns from mobile as they are from desktop advertising.

**Figure 17**  
**Effectiveness of mobile advertising for addressing different stages of the marketing funnel**  
*Global respondents*



### The return of the tablet bid modifier

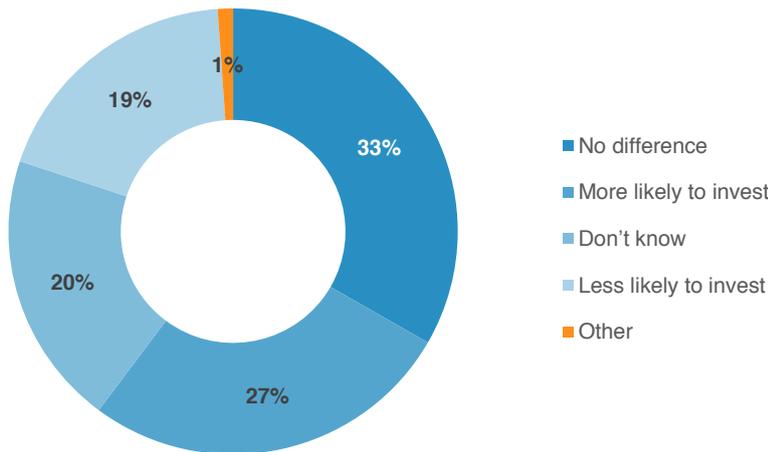
In July 2016, Google Adwords reintroduced the tablet bid modifier to its Enhanced Campaigns, allowing advertisers to specifically target tablet users with their bidding. When Adwords Enhanced Campaigns were first introduced in 2013, advertisers were able to bid separately on mobile users (i.e. smartphone users), but tablet bidding was lumped in with desktop, causing frustration for many advertisers who wanted to target desktop and tablet traffic separately. Finally in 2016, Google responded to these concerns by reintroducing bid adjustments for tablet users, separate to desktop and mobile.

Twenty-seven per cent of advertisers globally reported

that the change would make them more likely to invest in advertising to tablet users, but a higher percentage – 33% – stated that the change would make no difference to their level of tablet investment [Figure 18].

Nearly a fifth of advertisers (19%) reported that the change would make them less likely to invest in tablets. This could be because advertisers who were previously only interested in targeting desktop users were forced to target tablet users in the same stroke, and so were invested in advertising to tablet users only because they were unable to remove them from the running. Once this was no longer necessary, many of them would have decreased their investment in tablet users accordingly.

**Figure 18**  
**Likelihood of organisations investing more in tablets since the reintroduction of Google's tablet bid modifier**  
*Global respondents*



04

---

# The future of display advertising:

Where next for the  
humble banner ad?

# Where next for the humble banner ad?

The banner ad is almost as old as the world wide web itself, and since its debut in 1994, has been one of the most – if not the most – ubiquitous forms of advertising on the internet.

But now that we have so many other sophisticated ways of reaching out to users, personalising, targeting and tracking our interactions with them, is it still an effective means of delivering ROI?

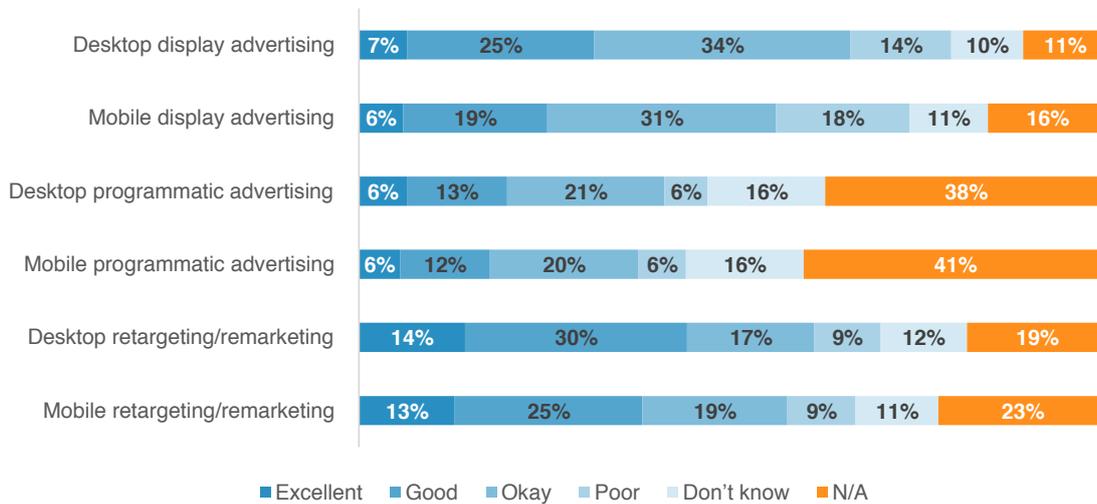
## Display advertising: widespread, but ineffective

Seventy per cent of survey respondents reported that they use display advertising as a method of paid online

advertising on desktop, with 61% of advertisers reporting that they invest in display advertising on mobile [Figures 1 & 2]. Yet when asked to specify which advertising channel was least likely to deliver returns for their business, nearly half of advertisers globally (48%) chose ‘display/Flash/programmatic advertising’. This was far and away the most-cited underperformer, 25 percentage points ahead of the second most cited channel, which was paid social (cited by 23%).

There is a perception among many advertisers that few users pay attention to banner advertising. One respondent said that display/Flash/programmatic advertising was the least viable channel for their business, as “Audiences are blind to banner ads, it’s just a psychological imprint with no guarantees”.

**Figure 19**  
 "How would you rate your ROI from the following online advertising channels?"



**“Display advertising delivers returns at the lowest conversion rate, however the competition and cost per is higher. We find paid social to be more targeted within our market – returns at 300% higher than display ads.”**

Survey respondent

Another respondent said: *“Display CTRs have slowly been decreasing over the years... it’s just not as valuable as it was 8 to 10 years ago.”*

In response to the question, “How would you rate your ROI from the following advertising channels?”, more than a third of users (34%) rated their ROI from desktop display advertising as ‘okay’, the largest percentage to choose that rating for any advertising channel. Twice as many advertisers rated their ROI from desktop display advertising as ‘poor’ (14%) as they did ‘excellent’ (7%) **[Figure 19]**.

Mobile display advertising was considered the worst-performing channel, with 18% of advertisers rating its ROI as ‘poor’; a further 31% of advertisers rated their mobile display ROI as ‘okay’.

The huge rise in popularity of online ad blockers may have contributed to this poor performance. This is even more the case on mobile than on desktop, where loading display advertising can be incredibly expensive from a data standpoint. According to a 2016 report by PageFair and Priori Data, about 22% of the world’s 1.9 billion

smartphone users are choosing to block ads on the mobile web – twice as many as are doing so on desktop. Those who don’t block display ads outright are still highly unlikely to click on them: according to benchmarking data from Wordstream, the average click-through rate for Adwords display advertising is 0.35%.<sup>13</sup>

But is display advertising meant to deliver direct ROI? Many advertisers don’t expect display to deliver immediate returns, because it targets consumers at the top of the funnel. Instead, they are using it as a tool to build brand presence and awareness. One survey respondent said: *“[Only] a small percentage of users pay a great deal of attention to display ads. It does keep the brand top of mind, but you don’t expect many direct conversions from this advertising channel.”*

Another respondent added: *“Display advertising has not been great for us as an ROI tool. It is more used for brand recognition and ensuring we are seen more than our competitors.”*

A third agreed: *“Display is not meant to bring in money. It’s meant for awareness.”*

<sup>13</sup> <http://www.wordstream.com/blog/ws/2016/02/29/google-adwords-industry-benchmarks>

## The remarketing revival

Ad targeting – specifically, behavioural retargeting or remarketing – can also make display advertising a much more effective means of delivering ROI. More than half of advertisers (53%) reported using behavioural retargeting or remarketing as an advertising channel on desktop, and 44% of advertisers are currently using it on mobile.

Notably, these advertisers are significantly more likely to be from medium or large businesses than from smaller businesses. Seventy-two per cent of advertisers from medium-sized businesses (with an annual revenue of \$10 million to \$100 million) and 74% of advertisers from large businesses (with an annual revenue of more than \$100 million) are currently investing in behavioural retargeting/remarketing, compared to just 34% of advertisers from small businesses (with an annual revenue of less than \$10 million).

When asked to rate their ROI from these advertising channels, 44% of advertisers rated their ROI from desktop retargeting/remarketing as ‘excellent’ (14%) or ‘good’ (30%), while 38% rated mobile retargeting/remarketing as ‘excellent’ (13%) or ‘good’ (25%) [Figure 19]. Only 9% of advertisers rated their ROI from each channel, respectively, as ‘poor’.

*“It really allows us to get more from spend, and that’s shown in better conversion rates,”* said Pam Weber, Vice President of Strategic Initiative at ROAR! Internet

Marketing, who rated her organisation’s ROI from behavioural retargeting/remarketing as ‘excellent’. She observed that the results from retargeting can vary depending on where the user is in their journey.

*“The key for us is targeting where someone is in terms of their search [for a product] ... We need to make sure we put them in the proper funnel. If it’s early and we’re just in an educational, fact-finding situation, retargeting is good, but it’s not proven to be quite as strong. If they understand a particular product and are really ready to engage in a service, we see tremendous results with retargeting.”*

*“We talk a lot about online marketing being the difference between being the ‘hunter’ and allowing yourself to become the ‘hunted’ – meaning that people are looking for what you do, or sell. I think that retargeting is just the extension, or the refinement, of that.”*

When asked to specify the advertising channel least likely to deliver returns for their business, only 12% of advertisers cited behavioural retargeting or remarketing – the lowest percentage to choose any of the given options.

Some of the issues with behavioural retargeting highlighted by advertisers included the intrusiveness of targeted ads, which tend to ‘follow’ users around the internet; the fact that users aren’t actively looking to buy when they are being targeted, making the advertising less welcome; and the cost of ‘re-earning’ users’ clicks using retargeting methods, compared with the cost of simply acquiring new leads.

## Programmatic: productive or problematic?

Programmatic advertising is another advancement that has significantly changed the way that advertising works online, allowing ads to be bought much more cheaply and efficiently. The advent of Real-Time Bidding in particular has enabled advertisers to target users more quickly and easily, with fewer wasted impressions. However, despite this revolutionary potential, the view of programmatic advertising from survey respondents was somewhat mixed.

Just under a third of advertisers (30%) reported that they currently use programmatic advertising on desktop, and 26% are making use of it on mobile [Figures 1 & 2]. However, less than a fifth of advertisers (19%) would rate their ROI from desktop programmatic advertising as ‘excellent’ (6%) or ‘good’ (13%) [Figure 19]. Mobile programmatic advertising earned a similar assessment, with 18% of advertisers rating its ROI as ‘excellent’ (6%)

or ‘good’ (12%).

Perhaps most tellingly, programmatic advertising for both desktop and mobile earned the highest percentage of ‘don’t know’ ratings for its ROI, with 16% of advertisers saying they did not know how to rate their ROI from desktop programmatic advertising, and the same percentage saying so for mobile. This suggests that many of the advertisers who are using programmatic advertising can’t be sure whether it is a worthwhile advertising channel to invest in or not.

Advertisers from small businesses (with an annual revenue of less than \$10 million) are dramatically less likely to be investing in programmatic advertising than are advertisers from medium (annual revenue of \$10 million to \$100 million) and large (annual revenue of more than \$100 million) businesses. Just 17% of small advertisers said they are currently investing in programmatic advertising on desktop, and 14% on mobile [Table 3].

By comparison, 40% of medium business advertisers currently investing in programmatic advertising on

**Table 3**  
Most popular methods of paid advertising on desktop (split by business size)

	>\$10m	\$10m-\$100m	\$100m+
Desktop programmatic	17%	40%	50%
Desktop behavioural retargeting/remarketing	34%	72%	74%
Mobile programmatic	14%	36%	37%
Mobile behavioural retargeting/remarketing	28%	60%	62%

desktop and 36% who are investing on mobile, and 50% of large business advertisers investing in desktop programmatic, with 37% investing on mobile.

When asked which areas of advertising are the top priorities for their business in 2017, 30% of advertisers cited retargeting or personalisation, making it the third most cited business priority for 2017, tied with social media [Figure 20]. A further 15% will be making programmatic advertising a priority this year.

Somewhat surprisingly, only 5% of advertisers named

ad blocking as a priority for 2017. Ad blocking has been widely discussed over the past few years as a cause of significant lost revenue for marketers, and a challenge for advertisers to overcome. But perhaps these results indicate that ad blocking is fading into the background. It may be that ad blocking is on the list of priorities for businesses, but not at the top; or that they are resigned to this being part of the advertising landscape, and would rather find other ways to connect with a prospective customer base.

05

---

# 2017 and beyond:

What does the future hold for advertising?

# What does the future hold for advertising?

**The last two or three years have seen a proliferation of new technologies with exciting possibilities for advertising, from virtual and augmented reality to chatbots, smart hubs to artificial intelligence, the rise of trends such as voice and visual search, and more.**

Any of these technologies has the ability to drastically change the way that we market and advertise to consumers. At the same time, staples of advertising such as social media, search, content marketing and attribution are just as crucial as they ever were. So how are advertisers hedging their bets? Are they investing in exciting new innovations, or playing it safe?

## Paid search

Nearly two-fifths of advertisers (39%) indicated that they will be making search marketing a top priority for their business in 2017 [Figure 20]. This puts search marketing second-highest on the list of priorities for advertisers in 2017, just below content marketing (cited by 42%). Seven per cent of advertisers also cited artificial intelligence as a top priority in 2017, which encompasses innovations such as digital assistants and voice search; a further 4% plan to focus on smart hubs, such as Amazon Echo and Google Home, which are activated by voice commands and are highly relevant to the field of voice search (see 'What's the big fuss about voice search?').

*"[Artificial intelligence] really gets into why we want to continue to explore with different search engines,"* says Pam Weber, Vice President of Strategic Initiatives at ROAR! Internet Marketing, who adds that AI is of key interest to both her agency and her clients in 2017.

*"Voice search is going to continue to increase; we're watching as those vehicles – Alexa, and Siri, and Google Assistant – become smarter and smarter. How do you position yourselves, or your clients, to make sure that you're there for them?"*

But it's very early days for voice-initiated searches, Weber adds: *"It's almost like when you did your first Google searches: 'Tell me about apples!' or, 'I want a car!' But now [on desktop], you would never search like that; you would have all these variables. And I think we're seeing voice search develop in the same way.*

*"It hasn't yet broken into the commercial market, but it's only a matter of time."*

Visual search, which encompasses searches made using any kind of image, including with a smartphone camera, is another significant emerging search field. Both Bing and Pinterest, the pinboard-style social network, have so far positioned themselves as frontrunners in the realm of visual search; Bing by releasing an update to its iOS app allowing users to search using their smartphone cameras, and Pinterest by developing a sophisticated visually-based internal search,<sup>14</sup> with plans to integrate camera search into its interface very soon.

While only 4% of advertisers indicated that visual search is a top priority for their business in 2017, before too long voice and visual search may be considered an inseparable part of the overall search marketing landscape, much as mobile now is.

## Paid social

Looking ahead to the rest of 2017, 30% of survey respondents reported that they would be making social media a 'top priority' for their business this year, making social media the third most cited priority for advertisers in 2017, behind content marketing and search marketing, and tied with retargeting/personalisation [Figure 20].

A further 11% specified that social commerce, such as social media 'buy' buttons and Facebook Marketplace, would be one of the top priorities for their business in 2017. Social commerce, the integration of ecommerce features into social networks, began relatively slowly in 2014 and 2015 with the introduction of 'buy' buttons into platforms such as Twitter, Facebook and Pinterest.

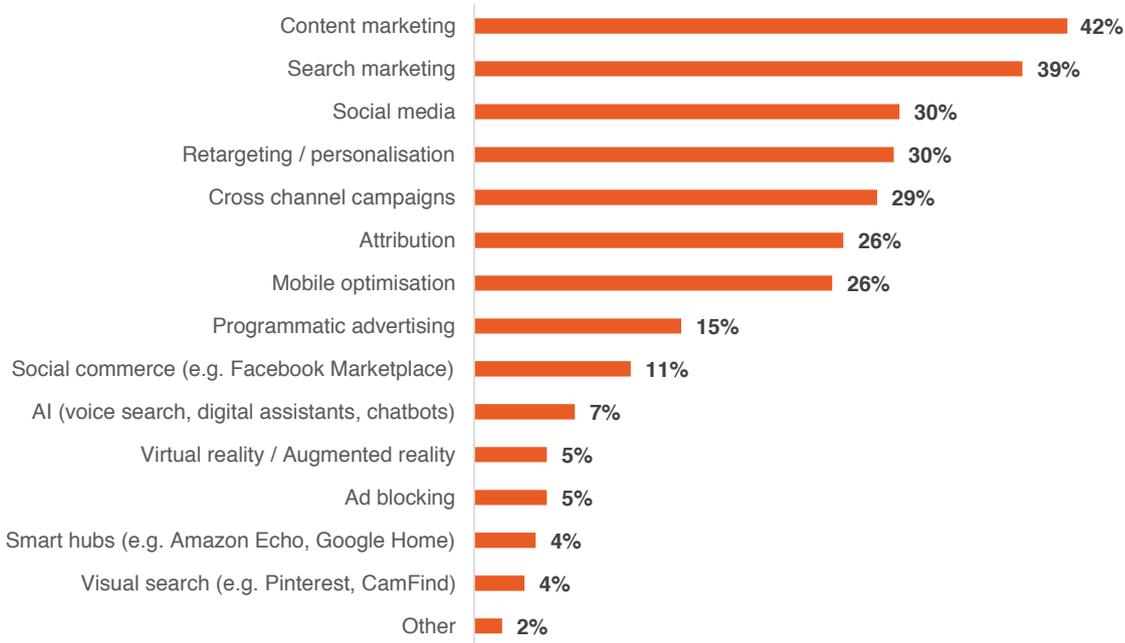
Then in 2016, the niche expanded dramatically with developments such as Facebook Marketplace, shoppable content on Instagram, the Google acquisition of Famebit (a major handler of product placement and brand partnerships on YouTube) and new look business profiles on Pinterest, all aimed at providing increased opportunities for 'in the moment' transactions on social media.

In addition to these, a number of dedicated 'social shopping' platforms have entered the scene, such as Polyvore, Grabble, The Beautyst and Trendabl.

If trends in 2016 are anything to go by, we can expect social commerce to diversify even further in 2017, providing many more opportunities for advertisers and brands to invest in this area of social media.

<sup>14</sup> <https://searchenginewatch.com/2016/07/08/six-ways-pinterest-is-becoming-serious-about-visual-search/>

**Figure 20**  
**"Which of the following areas do you believe are the top priorities for your business in 2017?"**  
*Global respondents*



## Mobile

More than a quarter of advertisers (26%) cited mobile optimisation as one of the top priorities for their business in 2017 [Figure 20].

However, for many advertisers, optimising for the mobile web is only the first step in delivering a successful campaign on mobile. While they may understand how to create a mobile-responsive offering, they still struggle to track and attribute returns to customers on mobile devices.

*"We know that more people are using their mobile than using their computers to visit our website. Our site is mobile-ready, but it concerns me that we aren't able to track exactly where those conversions are coming from,"* said Melodi Campbell, Vice President of Marketing and

Communications at Worldwide Counter Threat Solutions.

*"I think that mobile and tablets are soon going to be more of a way of doing business than desktop computers, but at the moment we don't have the right technology to pinpoint whether our conversions are coming from mobile or desktop,"* she adds.

Even though mobile devices have now officially pulled ahead of desktop in terms of web traffic, the margin between them is very narrow indeed. For advertisers who don't have a great deal of budget to invest in advertising, it can be difficult to justify the expense and effort of targeting and tracking mobile users, especially if it requires sacrificing some of their budget for desktop advertising – which is reliable and proven – in exchange. Is it worth taking a gamble on mobile if advertisers still aren't sure of the returns?

## What's the big fuss about voice search?

- Voice search, which encompasses any kind of search queries that are spoken aloud, is a fast-growing and increasingly important area of search.
- In 2015, voice search shot from “statistical zero” as a percentage of search queries to making up 10% of all searches globally, according to Timothy Tuttle of voice interface specialist MindMeld.<sup>15</sup>
- Voice searches are usually conducted using **natural language** – search queries which are phrased as a full sentence as opposed to individual keywords. For example, “Who was the US President when the Angels won the World Series?”
- Major search companies such as Google and Bing have made it a focus of their research and development, refining their ability to interpret and respond to natural language queries.
- Voice searches are frequently conducted via digital assistants such as Siri, Alexa, Cortana and Google Assistant – making the development of AI highly relevant to voice search.
- Andrew Ng, chief scientist at Baidu, has made a prediction that by 2020, at least half of all searches will be made with either voice or images.

## Big and small: How are businesses of different sizes prioritising their investment for 2017?

Surprisingly, advertisers from businesses with an annual revenue of less than \$10 million are more likely to invest in ‘futuristic’ technologies than businesses with revenues of \$10 million or more. This is most often the case with social commerce, where 20% of advertisers from small businesses said that social commerce was a priority for 2017, versus 7% of advertisers in medium businesses (defined here as companies with \$10 million to \$100 million annual revenue), and 4% of advertisers in large businesses (those with more than \$100 million annual revenue).

Advertisers from smaller businesses are also prioritising visual search more than those from medium and larger businesses: 7% of advertisers from small businesses named visual search as a priority for 2017, versus 4% from large businesses.

Advertisers from small businesses are making AI and smart hubs a slightly larger priority, with 9% of small business advertisers prioritising AI in 2017 versus 7%

from medium and large businesses, respectively. Five per cent of advertisers from small businesses named smart hubs as a priority for 2017, versus 0% from medium-sized businesses, and 4% from large businesses.

But small business advertisers were also slightly more likely to be found prioritising paid social media, which 35% named as a priority versus 29% from medium-sized businesses and 26% from larger businesses, and paid search, with 45% naming paid search as a priority in 2017 versus 32% of medium businesses and 36% of large businesses.

It may be that advertisers from smaller companies are more willing to take a punt on up-and-coming new technologies in the hopes of making a bigger profit in the long run; or that they are targeting their resources towards one specific niche (e.g. paid search, visual search and AI, which includes voice search) rather than spreading their funds too thinly. Advertisers from larger organisations, where larger sums of money are at stake, may be less willing to gamble on untested technologies, especially in the case of agencies where they are likely to represent wealthier clients with more to lose if their advertising does not deliver strong ROI.

<sup>15</sup> <http://www.lesinsider.com/Isa16-impact-of-virtual-assistants-a-i-on-search#sthash.VCUI18se.0L6oOPMD.dpbs>

06



# Conclusion & Appendix

# Conclusion

---

## **The results of our survey give a clear snapshot of the advertising industry as it stood at the end of 2016 and on the brink of 2017.**

Advertising channels such as paid search, social and display are the bread and butter of online advertising, and are now almost as prevalent on mobile as they are on desktop, with mobile likely poised to overtake desktop as the primary medium for online advertising within the next few years. Advertisers are still experiencing some obstacles with budgeting, delivering, and attributing the ROI of mobile campaigns, but this will doubtless improve in time, particularly with a majority of advertisers investing in campaigns on mobile, and 26% of advertisers prioritising mobile optimisation for 2017 and beyond.

We are beginning to see a recession of traditional display advertising on the internet as advertisers, looking for conversions, move towards more sophisticated methods of targeting consumers such as behavioural retargeting and remarketing. Programmatic, although an emerging means of targeting users, has yet to see

widespread adoption, with many marketers unsure as to whether their programmatic campaigns deliver ROI.

Many advertisers are paying close attention to the developments in technology affecting the advertising landscape such as artificial intelligence, voice search and social commerce, and are investing their ad spend accordingly. Over the next few years we can expect to see these technologies radically transform the way that we advertise online, perhaps becoming a shift comparable to the rise of smartphones in the past ten years.

Amid this futuristic development, however, advertisers have not lost sight of the basics. Mainstays of advertising such as content marketing, search marketing, paid social media and personalisation remain top priorities for advertisers in 2017. As with all technological shifts, there will inevitably be a fringe of early adopters who adapt and experiment first, before a wider change is reflected in the rest of the industry. And although these up-and-coming technologies are exciting, advertisers know what works, and are committed to delivering ROI on tested channels rather than getting caught up in flights of fancy.

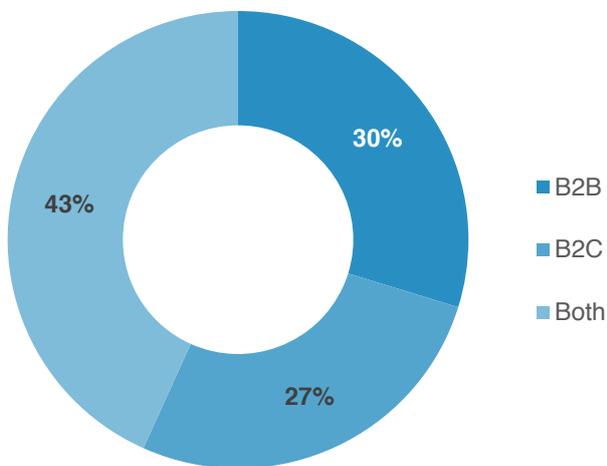
# Appendix

## Methodology

The *State of Digital Advertising 2017* survey was carried out in December 2017, and received a total of 506 responses from advertising professionals. Of these, 41% of respondents were from agencies, while 59% worked for brands/client-side.

### Nature of business

*All respondents*



Thirty per cent of respondents said that the nature of their business was B2B, while 27% said that they worked for a B2C business, and 43% said that their business was both B2B and B2C.

Geographically, 52% of respondents were based in the US, while 18% were based in the UK and 10% were based in the rest of Europe. Five per cent of respondents were based in Asia, while the remaining 16% came from other countries.

Forty-one per cent of respondents worked for organisations with an annual revenue of less than \$10 million. Twenty-three per cent were from organisations with an annual revenue of \$10 million to \$100 million, while 21% were from organisations with an annual revenue of \$100 million or more.

Geographic region	
Percentage distribution of organisations	
US	51%
UK	18%
Europe (excl. France and Germany)	7%
Asia	5%
Canada	4%
Middle East	2%
Germany	2%
France	1%
Australia	1%
Other	9%

Annual income	
Percentage distribution of organisations	
Less than \$10 million	41%
\$10 million - \$100 million	23%
\$100 million - \$1 billion	12%
More than \$1 billion	9%

Industry sector	
Percentage distribution of organisations	
Automotive	3%
Charities / non-profit	3%
Consumer goods	3%
Education	5%
Energy & utilities	2%
Financial services / insurance	4%
Healthcare & pharma	5%
Manufacturing	5%
Media & publishing	14%
Professional services	10%
Real estate	3%
Retail & ecommerce	14%
Technology	13%
Telecoms	2%
Travel, leisure and hospitality	5%
Other	11%

# About ClickZ

---

For more than 20 years, ClickZ has been the publication of choice for search, digital and marketing decision makers with over 340,000 unique users a month.

It's our mission to provide focused high-quality insight, analysis and opinion to a global audience of digital marketing and ecommerce professionals. Every day our global team of expert journalists and analysts filter through the buzzwords to bring our audience a distilled and focused view on business critical developing digital marketing trends.

With a rapidly growing international community of loyal readers from all areas and echelons of digital marketing, ClickZ can help businesses reach the right audience with the best content to achieve their marketing goals.

# About Marin Software

---

The Marin advertising cloud activates first party marketing cloud data to help marketers identify and convert precise, active, and profitable audiences across the digital advertising landscape. Leveraging organisations' CRM, email and analytical data, Marin automates Search, Social and Display advertising across publishers and devices.

Marin's open, flexible platform seamlessly links and deduplicates CRM, audience, revenue and contextual data from any source, allowing marketers to better understand their online and offline performance, optimise online campaigns, and convert higher value customers.

By simplifying integrations from multiple first and third party sources into a single platform, Marin saves marketers valuable time. Marin's single view of company data and performance helps advertisers gain security over their marketing cloud data and eliminate the need for disparate point solutions.

# Get in touch

---



For enquiries about ClickZ Intelligence, please contact:

**Chris Williams**

T. +44 (0) 20 8080 9378

E. [Chris.Williams@clickz.com](mailto:Chris.Williams@clickz.com)

**Sam Lawson**

T. +1 (646) 755 7399

E. [Sam.Lawson@clickz.com](mailto:Sam.Lawson@clickz.com)