

The State of Search Marketing

*A review of client thinking regarding search marketing
and key planning trends for 2010 onwards*



Published by Reform Digital Limited

April 2010

Reform is a search marketing business with offices in London and New York.

We have unrivalled experience as leaders, innovators
and practitioners in the search market.



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1. Executive Summary

Reform's "State of Search Marketing" survey set out to gain a better understanding of how client businesses and brands value search marketing. Research from Comscore showed that **the global search market grew by 46% between December 2008 and December 2009**¹, and that **search marketing accounted for 62.5% of UK online advertising spend in the first half of 2009**.² So, with search purse strings firmly open, we felt that this was an opportune time to speak to the people making decisions about search, to understand the lessons, frustrations and challenges of clients in the search sector.

We asked clients about planning search campaigns, how search is integrated with other channels, and whether they use an agency or manage search in-house. We gauged understanding of search delivery and asked if search data is adding value to their understanding of the customer. Finally we asked about the future, asking how they think search will evolve and the challenges that search faces.

Key findings

65% of respondents said that search is the most important marketing channel for their business, and 83% believed that search became more important to their business in 2009.

Clients rely on agencies to select the right technology. If the client switches agency, a change in technology tends to follow. **47% of clients who use an agency don't own the technology** or the tracked data. **52% of these clients don't own – or don't know if they own – the PPC data.**

Clients want **more pro-activity, insight** and **transparency** from agencies, though our respondents do express a desire to pay for search strategy going forward.

Bringing search in-house: 32% of respondents manage their search in-house and an additional 56% of agency clients have also considered taking search in-house. The decision to take search in-house is largely driven by a desire to take control of search as a whole. **33% of respondents believe that search is too important to their business to be out-sourced.**

Design, e-commerce and content functions operate closely alongside search experts, however **above-the-line and PR campaigns are significantly less well integrated.** There is also a growing desire for budgets to be assigned to developing dedicated search strategies.

¹ Comscore 2010

² Internet Advertising Bureau/PricewaterhouseCoopers



2. Methodology

The “State of Search Marketing” survey was conducted online between October 2009 and February 2010.

Respondents were clients who were stated decision makers either directly within, or responsible for, the search marketing function of their company. They were either purchasing PPC and/or SEO directly or through an agency.

Our survey sample consists of just under 100 UK-based search and digital marketing specialists, including search practitioners and strategists, online marketing managers and marketing directors. Around 60% were digital media specialists, to 40% non-specialist. Company size ranged from small start-ups with one to twenty employees to several of the biggest brands on the web. Approximately half of the companies that responded were ecommerce businesses.

Questions were arranged so that respondents could answer according to whether they managed search in-house or through an agency.

There were 53 questions across seven categories, and the findings are presented correspondingly.

3. Survey Findings

i. Cost of search: investment & people resource

Context: In 2009, advertiser investment in paid search marketing surpassed the £2 billion mark, in this the “purest form of direct response advertising”.³ This equates to 62.6% of all online advertising expenditure in the UK

This first section was answered by all survey respondents, regardless of whether they use an agency or not.

- On average, **respondent companies have three people managing their search** – either within the company itself or at an agency, rising to 20 people in large companies. Their experience includes managing PPC campaigns, SEO activities, and feeding back insights from search and liaising with other stakeholders.

³ Internet Advertising Bureau/PricewaterhouseCoopers adspend study 2009

Unsurprisingly, amongst our survey respondents, PPC spend is vastly greater than that of SEO. **40% of respondent companies spend between £5-50K per month on PPC, whilst 38% spend the same amount in a year on SEO.** The numbers reflect the higher investment cost of PPC marketing but show that SEO investment is significant across all survey respondents.

66% of those surveyed envisage that both SEO and PPC budgets will increase in 2010 (Figure 1). Factors impacting this are increased ROI, new product development, usability outputs and SEO best practice to support the growing importance of social media optimisation and online PR.

Do you envisage your PPC and SEO budgets increasing or decreasing in 2010

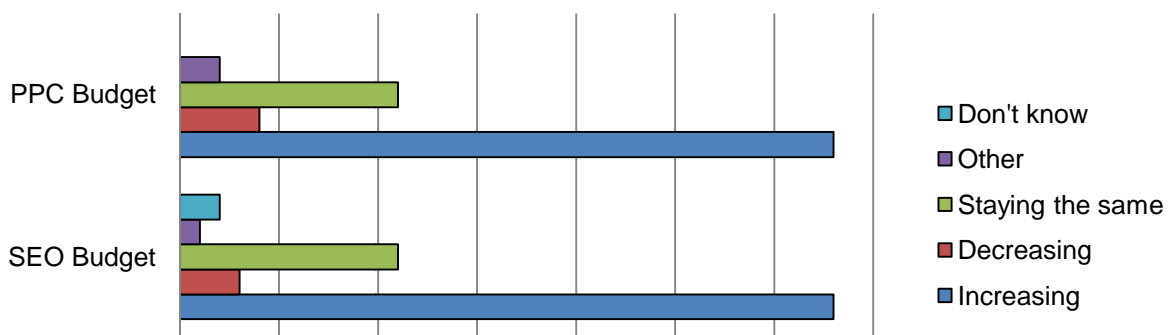


Figure 1: 66% of those questioned expect both PPC and SEO budgets to increase in 2010

The amount of time spent managing search campaigns varies vastly depending on the size of company and account, but **overall companies are unable to quantify the number of hours their agency devotes to their campaigns.** In-house team hours are more readily available to measure and average around 100 hours per month on PPC and 60 hours on SEO.

ii. Technology & tools

We asked respondents to tell us which web analytics and bid management tools they have trialled or currently deploy to track their search marketing performance. There was a finite list of tried and tested solutions (see below) and the overwhelming majority of respondents (88%) had been satisfied and



continued to work with the third party provider. **The main reason for switching technology provider was a change of search agency.**

- 94% of respondents use web analytics software to measure search and 32% are currently (sometimes also) using another kind of third party search technology.

The web analytics providers cited were:

| | |
|------------------|------------------------|
| Google Analytics | Lynchpin |
| Clicktracks | Coremetrics |
| Webabacus | Internal (proprietary) |
| Omniure/HBX | |

Over 50% of respondents have trialled at least one of the search technology providers listed below:

| | |
|-----------------------|------------------------|
| Efficient Frontier | Bidbuddy |
| Marin | DNA |
| Kenshoo | SEMPPro |
| Search Ignite | Coremetrics Search |
| Dart Search | Ad Director |
| Omniure Search Center | Internal (proprietary) |
| DC Storm | |

Technology spend varies massively with the highest annual spend quoted as £300,000, whilst 64% spend nothing at all on third party technology. For those clients using agencies, **technology spend is difficult to assess as it is sometimes included in agency fees.** Some 6% of respondents are unsure which, if any, technology providers their agencies use.

Only 34% of search agency clients own the contractual relationship with technology provider (see Figure 3 over page). Furthermore, 19% are uncertain about who owns the tracked data – the client or the agency. Almost half of respondents (47%) know that they do not own it.

Do you own the contractual relationship with your technology provider?

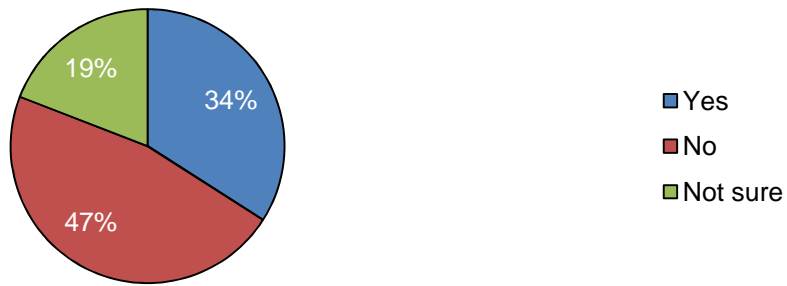


Figure 2: 34% of respondents own the contractual relationship with a technology provider

iii. Agency

The majority – 70% of respondents – use an agency for some or all of their search marketing management. 40% of these cite ownership of their PPC account data. (Figure 3 over page).

Of these, 68% are unable to say how much time their agency spends managing their PPC on a monthly basis. In addition, 16% of respondents do not know if they or their agency own their PPC account data. This lack of knowledge could present challenges if these clients decide to take their search in-house or switch agency in the future.

- **Despite a lack of insight among some clients into how their agencies operate vis-à-vis technology and data ownership, agency service levels in terms of reporting rated highly.**

Do you own your PPC data?

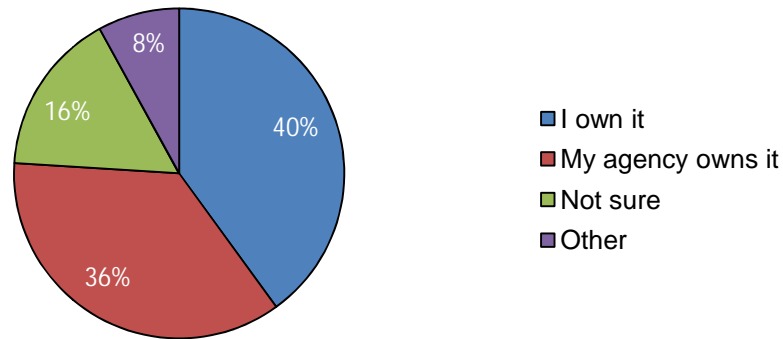


Figure 3: 36% of respondent PPC account data is owned by the agency

64% of clients are satisfied with the level of reporting they receive from their agency, however many would like to see more pro-activity from their agency. In some instances clients would like to adopt a more hands-on approach, for example to access search data for themselves. Finally, 28% of respondents would welcome more interaction with their search agency.

As far as agency processes for streamlining campaign management are concerned, most respondents (60%) are aware of the agency using bid management tools. These include agency-developed or those licensed from a third party. 52% are aware of budget management processes, and 40% of automated keyword building.

Respondents express a desire to see more of the following from their agency:

- More insights from performance data, not just impression levels and basic daily reporting
- Better recommendations that can be implemented quickly
- More transparency of data
- More pro-activity overall
- More advice and assistance planning with ATL activity
- Direct access to tools for data without waiting for agency to provide it
- Ability to do more structured testing
- More meaningful (not necessarily more detailed) reporting and analysis

- Better understanding of the client’s company and its products to make PPC campaign changes easier
- More integration between SEO and PPC

Agencies currently make many different search marketing optimisation recommendations (Figure 4). 44% of respondents say that their agency proposes budget changes and 24% say that agencies are advising them on website content changes. A further 20% say agencies carry out research into market trends and 28% say that agencies give feedback data relating to the effect of the above the line marketing activity on search.

How does your agency feed search data back into your business?

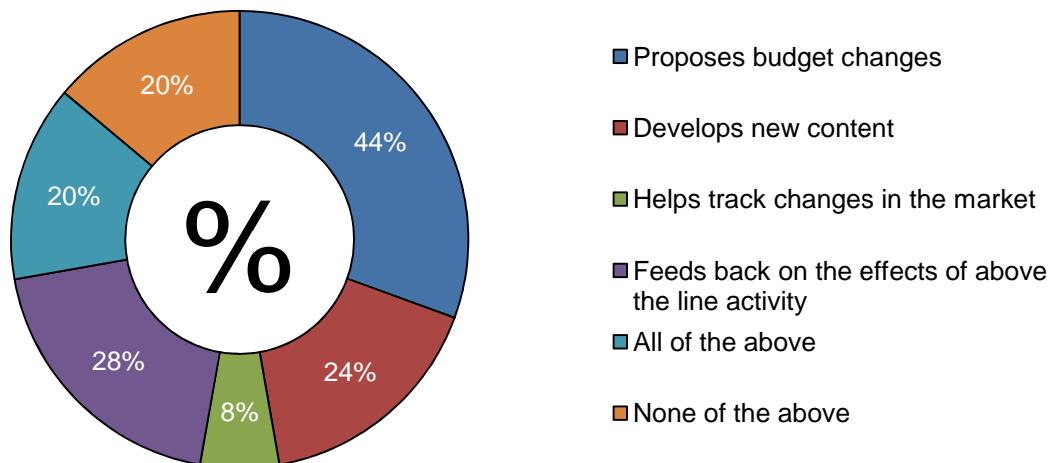


Figure 4: 44% of respondents said their agency proposed budget changes

Over half - 52% - of respondents have moved their search account from one agency to another, with a varying degree of difficulty. However a key learning from this experience related to penalisation by Google’s Quality Score. Respondents found that a slow migration to allow for testing had helped, as had attempts to manage expectations - comparable or improved performance probably won’t be achieved over night. Measuring the impact of newly implemented strategies closely was also key.

One of the respondents said “**visibility across all networks is paramount during a move**” and another said that “**losing out on Quality Score meant the cost to my business was quite high...**”.



Of all of the clients who currently work with an agency, 56% have considered taking search in-house, but for a resounding 80% of them, the main reason for not doing so is a lack of resource. Other reasons include concern for lack of expertise (48%) and lack of management support (12%).

iv. In-house expertise

One third of the survey respondents (32%) manage all their search marketing in-house. Just 8% have managed search in-house for five or more years, 24% for one to four and further 8% for under a year.

As agency hours spent on search management were not readily available, we are unable to compare whether in-house teams are more or less time efficient than agency teams.

Our 'in-house' respondents told us that an average of 96 hours per month were devoted to PPC with 47 being spent working on SEO.

The decision to manage search in-house is not usually related to a desire to manage either PPC or SEO as standalone channels, but rather a desire to take control of search as a whole. 72% of those respondents who now manage search in-house have taken ownership of both PPC and SEO, 14% taking only PPC in-house, and 14% taking SEO in-house (see Figure 5).

Does your team manage both PPC and SEO?

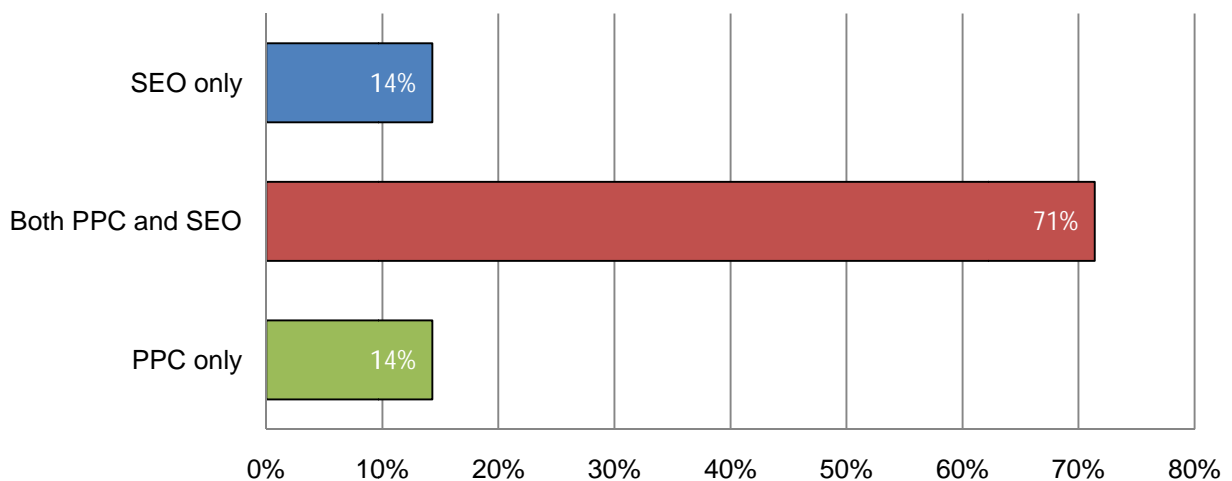


Figure 5: Of those clients who in-source search, the majority have taken both PPC and SEO in-house

The most common reason – 52% – for taking search in-house is a desire to reduce costs relating to agency fees. **33% of respondents believe that search is too important to their business to outsource.** In 19% of cases, dissatisfaction with their agency led the client to recruit experienced staff in-house or to seek training for existing staff. Other respondents feel that there is sufficient available talent within the market to allow them to recruit directly.

29% responded that ‘external parties’ train their in-house team on search. Some in-house staff are ex-agency employees, some have been trained by agencies working for the business, and some had attended workshops hosted by third parties. 52% say that skills are developed from on-the-job experience, both in the current roles and from previous self-teaching.

Moving search to an in-house team has proved to be successful for almost all of the clients we surveyed. When asked about what impact moving search in-house had had on their business, responses are largely positive. **Clients feel closer to search activity and in return they have more accountability.** Teams are more proactive as they are closer to revenue generation. Other internal teams gain from knowledge such as improved editorial and copy writing as part of search marketing activities. It is also felt that in-house search gives a better understanding of overall web traffic behaviour.

One respondent said: **“We are closer to the products and the market. Previously we needed the agency to tell us that we were going in the right direction, but we now are running it ourselves”;**

Another stated **“Search is considered at all stages of website changes - development and content. It's not something we look at afterwards and retroactively implement”**

Is search the sole responsibility for your in house resource or do they have a number of roles?



Figure 6: Search is the sole focus for in-house resources in 33% of companies surveyed

A third of those companies with an in-house search resource have team members whose role is 100% dedicated to search, while for the other two thirds, search is one of several roles within the team member's remit (Figure 6 on previous page). In-house teams spend on average 47 hours per month on SEO with approximately 96 hours spent on PPC.

Only 19% of respondents with in-house search resources, and only 17% of those that use an agency believe that over 80% of SEO recommendations are implemented. Also, 21% of clients who use an agency don't know how much of the SEO work is actually implemented. (Figure 7).

What percentage of in-house or agency SEO recommendations are implemented?

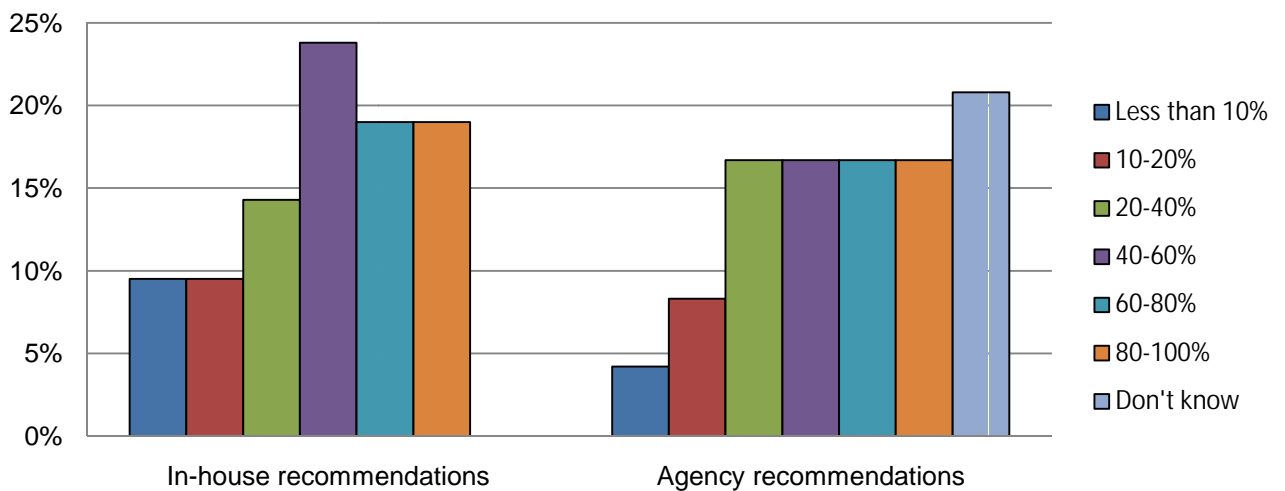


Figure 7: 21% of clients do not know what % of the agency's SEO recommendations are implemented.

v. Search marketing strategy and integration

It was generally expressed by the survey respondents that search is well integrated with web design, content strategy, ecommerce and with other online channels, but that more traditional areas such as PR and above the line activity still have a way to go before they are effectively integrated with search. (Figure 8 over page).

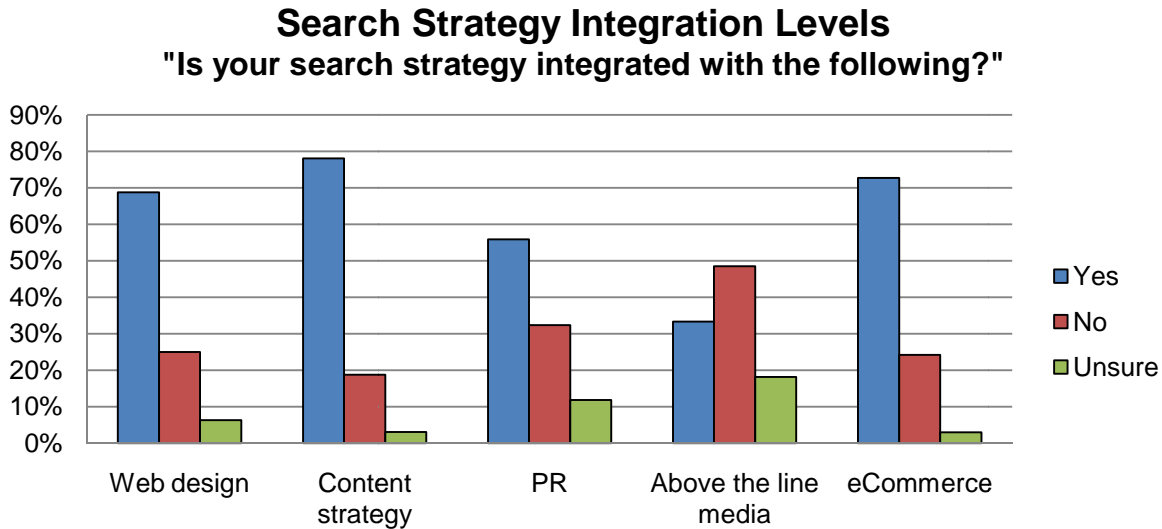


Figure 8: 78% of those surveyed say their search strategy is integrated with their content strategy

Some respondents state that search strategy is on their agenda for 2010. At present, advice on strategy is sometimes included within agency fees, but many respondents say that they would like to dedicate a part of their budget specifically to this area. Current spend levels on search strategy among respondents range from £1,000 to £15,000 per annum; 21% of respondents believe this is an area that could be improved upon in their business.

62% of respondents list driving traffic as the main objective of their search strategy. Other objectives include sales (59%), brand awareness (41%) and customer insights (12%).

vi. Overall understanding of search within business

72% of our survey respondents feel confident that they understand PPC and SEO fully but are reluctant to be labelled as experts as they are aware that there is always more to learn. 14% would appreciate more training in the area.

Only 31% of respondents believe that other business stakeholders fully understand the impact that search has on their business, although 52% believe stakeholders understand 'somewhat'. While 38% believe that search feeds market and customer insights into their business, 35% of our respondents believe that it does not.

It appears that although respondents are comfortable with search as a marketing tool in general terms, they are not fully cogent of how to feed back insights gained through search to the rest of the business.

65% of respondents say that search is the most important marketing channel for their business, with 83% believing that search became more important for their business during 2009. (Figure 9).

Has search become more or less important to you as a business during 2009?

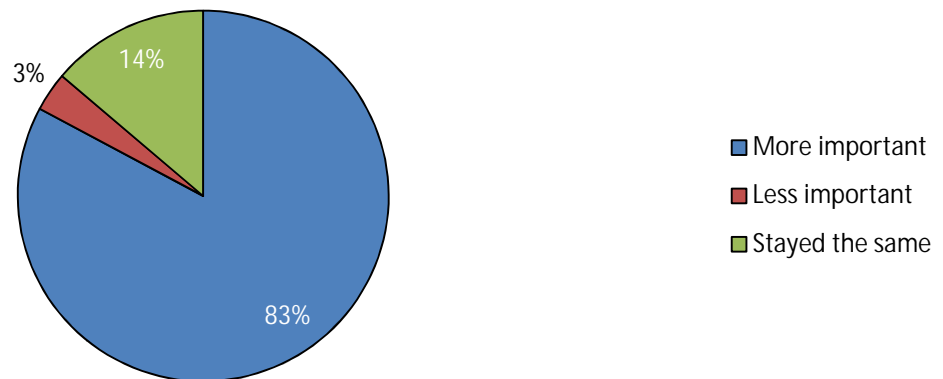


Figure 9: 83% of respondents said that search has become more important for their business in

vii. Looking ahead

In the final section of our survey we asked respondents about the future of search. A range of predictions were given **on the expected trends for 2010; the dominating themes were vertical and local search, video and advances in technology.**

Respondents believe that the functionality of search will develop to offer a more personal experience for users, giving more flexibility in terms of the media they want to see, for example, multi-media search and real-time search results.

Respondents expect to see more of the following in search in 2010:

- Better understanding of how other marketing activity affects search
- Changes and new developments by the search engines



- Continued increase in online shopping
- Improved relationships with key stakeholders & 3rd party providers
- Local and international search
- Offer based price comparison shopping search
- Mobile search
- More multi-media content being produced – e.g. Video
- Personalised search
- Predictive modelling
- Real-time search
- Reducing over-dependency on paid search channels in favour of free channels
- Social media conversation search
- Universal search
- Use of more sophisticated technology
- Vertical search

4. Conclusions & implications for search

The search market has come a long way in the last ten years. Both brands and marketing service providers alike have seen their businesses transformed by the success of the medium as search has become intrinsically linked to internet behaviour and adoption.

Yet with such phenomenal industry growth comes growing pains. The delivery of search marketing has challenged the dynamics of the client-agency relationship, as factors such as third party technology licensing and data ownership play such a key role in effective delivery. At the same time, clients have at times struggled to keep up with the pace of growth in search, often over-relying on their agencies to guide the process.

The State of Search Marketing survey demonstrates that clients value their search marketing highly and that they intend on continuing to invest in both PPC and SEO channels. Search is so valuable a part of the food chain, in fact, that some clients have taken the decision over the last five years to bring search in-house, although others still see the value of using an agency. That said, our survey demonstrates that agencies must work hard to demonstrate the value of their expertise to clients and be willing to share data more transparently. It also shows that there is still room for improvement in terms of buy-in from other business stakeholders.



The role of technology in search is an important one, yet client-side marketers lack detailed knowledge of this space. This is a concern when so much important decision making and investment goes into both selecting the right technology for search and for getting the most out of it in terms of results and efficiency. Another area of concern is that many clients are unaware of who owns the PPC account data – the client or the agency. If clients don't own their data this can prove to be costly when switching agency or when taking search in-house; the ramifications for the Google Quality Score if the AdWords account has to be re-built from scratch are a dramatically increased price per click.

The survey also highlighted that there is room for improvement in terms of SEO implementation. Many clients did not know if SEO recommendations had been implemented, and others knew that a proportion definitely had not. This indicates the importance of effective project management and stakeholder mapping, to ensure that the technical, content, website and marketing teams all take some responsibility for the delivery of SEO.

The State of Search Marketing survey demonstrates that search has a way to go in terms of integration with the full marketing mix. It also highlighted that clients see a growing need for budgets to be assigned to developing dedicated search strategies, rather than jumping straight into the delivery.

The Reform State of Search Marketing survey provides a useful temperature check on the views and experiences of clients with regards to their investment, strategy and delivery of search marketing. We will repeat the survey to gauge how these views and experiences evolve as the industry matures. If you would like to be included in future surveys please contact us at info@reformdigital.com.

5. About Reform

Reform is a search marketing business with offices in London and New York. We have unrivalled experience as leaders, innovators and practitioners in the search market.

We design and implement practical search solutions for brands and businesses – from SEO and PPC to strategic and operational planning and auditing, product development, training, agency and technology selection, and market research.

At Reform we believe that search is an essential communications and business planning tool. Search facilitates a better understanding of target markets, consumer behaviour, and competitor strategy – insight which not only informs marketing but business-wide intelligence.



Reform delivers transformational search that drives meaningful business growth for our clients, including brands, in-house search and procurement teams, agencies, investors and trade bodies. Clients include the IPA, England 2018, the Chartered Institute of Personnel & Development, Toptable and Angel Investment Network.

Join the debate on innovation and change in the search industry with our LinkedIn group, The Reformers. We welcome discussion and comment from search practitioners and specialists, as well as questions and insights from anyone interested in learning more about how search can impact their business positively.

Please contact: Amanda Davie, amanda@reformdigital.co.uk, 020 3178 3089.