digital MARKETING REPORT

QUARTER 4 - 2019

MERKLE

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executive summary Q4 2019

While spending growth for Google search ads remained steady at 16% Y/Y, some of the key drivers of Google spend have been shifting in recent quarters. After a stellar Q4 in 2018, Google Shopping ads have seen their growth cool, while spending growth has accelerated for Google text ads. In Q4 2019, spending growth for the two formats was roughly equal.

Text ads for advertiser brand keywords saw particularly strong volume growth in the back half of 2019, with clicks rising 21% Y/Y in Q4. Average click-through rate (CTR) for brand ads has risen significantly since late 2018 as advertisers have worked in partnership with Google to improve creative excellence, expand ad coverage, and adopt the Responsive Search Ad format.

Although mobile continues to outpace growth for other devices, desktop Google search ads have also seen improving trends over the past year. Desktop clicks rose for the first time in over two years in Q4 2019, while spending rose 12%.

Retailers running Google search ads during the holiday shopping season faced a couple of headwinds in 2019, including a six-day-shorter period between Thanksgiving and Christmas, and a more aggressive competitor for Google Shopping impressions in Amazon. Ultimately, retail Google search spend growth decelerated just a point to 15% Y/Y.

Many retailers found success in reaching holiday customers with Google's Local Inventory Ad (LIA) format, which saw its share of Google Shopping clicks rise throughout the quarter and peak three days before Christmas. Similarly, clicks from Google Maps ads hit their quarterly high on Christmas Eve.

YouTube was another bright spot for overall Google ad spending, as advertiser investment in the platform rose 43% Y/Y. For brands running both YouTube and Google search ads, YouTube accounted for 26% as much ad spend as Google search ads in Q4.

As Amazon entered Q4 2019 with a larger presence in Google's Shopping listings, other advertisers turned to Amazon's ad platform to boost their Q4 sales. Spending on Amazon Sponsored Products ads rose 63% Y/Y as advertisers saw sales produced by the format rise 106%. Amazon ad spending growth had slowed in late 2018 as advertisers sought out a higher ROI from the platform. Those ROI gains continued into Q4 2019 even as ad spend growth has reaccelerated.

Spending growth for Facebook was also higher in Q4 2019, with spend up 15% Y/Y, excluding Instagram ads. Instagram itself delivered a 38% Y/Y increase in ad spend, among brands advertising on the platform since Q4 2018.

Instagram has also seen more advertisers come on board in the past year, as brands have increasingly seen it as a best practice to optimize across all of Facebook's platforms. For advertisers running ads on both Instagram and Facebook in Q4 2019, Instagram accounted for 27% of total Facebook ad spend, up from 21% a year earlier.

Finally, organic search visit declines steepened in Q4 as traffic fell across all device types, including phones. As advertisers have seen higher CTR for paid brand keywords in recent quarters, some have seen the opposite for their organic brand listings.

While DuckDuckGo delivered 47% Y/Y growth in organic search visits overall in Q4 2019, that was down from 68% growth a quarter earlier. That deceleration contributed to the bigger decline in organic search visits across all engines compared to a quarter earlier.

paid search

- Google search ad spending grew 16% Y/Y in Q4 2019, as clicks grew 11% and CPCs rose 4%. Phone spending rose 33%, while desktop spending increased 12%.
- Spending on Microsoft search ads grew 17% Y/Y in Q4 2019, even as clicks fell 10% Y/Y. After spiking in late 2017, mobile Product Ad click growth began to slow sharply and has now been in decline for two quarters in a row.
- Advertisers used Google's Similar Audience targeting to generate 11% of their Google search ad clicks in Q4 2019, up significantly from 5% a year earlier. Remarketing lists for search ads (RLSAs) accounted for a little over 18% of all Google clicks in Q4, down significantly from a peak of 27% prior to Apple's release of ITP 2.0.
- iOS devices and desktop Safari produced 54% of US Google search ad clicks in Q4 2019, up from 51% a quarter earlier.

organic search & social

- Total organic search visits fell 11% Y/Y in Q4 2019, down from a 9% decline a quarter earlier. Phone organic search visits declined 6%, down from a one point drop in Q3. Tablet visits fell much more sharply than a quarter earlier.
- Despite recent visit declines, Google still produced over 92% of US organic search visits in Q4 2019, a slight increase from a year earlier. DuckDuckGo's share of organic visits has increased from 0.5% to 0.8% in the past year.
- Led by Facebook, and for many retail brands, Pinterest, social media platforms generated 4.3% of all site visits in Q4 2019, up from 3.2% in Q4 2018.

amazon ads

- Spending growth for Amazon Sponsored Products ads accelerated to 63% Y/Y in Q4 2019, up from 35% growth in Q3. Spending on Amazon's Sponsored Brands ad format grew 56% Y/Y in Q4, up from 20% growth in Q3.
- Across Amazon's Sponsored Ads formats, Sponsored Products ads accounted for nearly 79% of advertiser spend in Q4 2019. As was seen in 2018, Sponsored Brands had a relatively strong fourth quarter, accounting for 18% of Amazon ad spend.
- Average ROI for Amazon Sponsored Products ads rose 26% Y/Y in Q4 2019, while ROI for Sponsored Brands ads was 1% higher.

display & paid social

- Spending growth for Facebook ads, excluding Instagram, accelerated for the third quarter in a row, closing out the year at 15% Y/Y growth in Q4 2019. Average CPM increased 20%, while impressions fell 5%.
- In Q4 2019, Instagram ad spend rose 38% Y/Y, down from 44% growth in Q3 2019. Instagram ad impressions rose 29% Y/Y in Q4, while average CPM increased by 7%. Instagram Stories ads generated 25% of Instagram ad clicks in Q4.
- Across all platforms, including the Google Display Network (GDN) and DV360, display advertising spending grew 8% Y/Y in Q4 2019. Total social media ad spending growth was 21% Y/Y.

paid search

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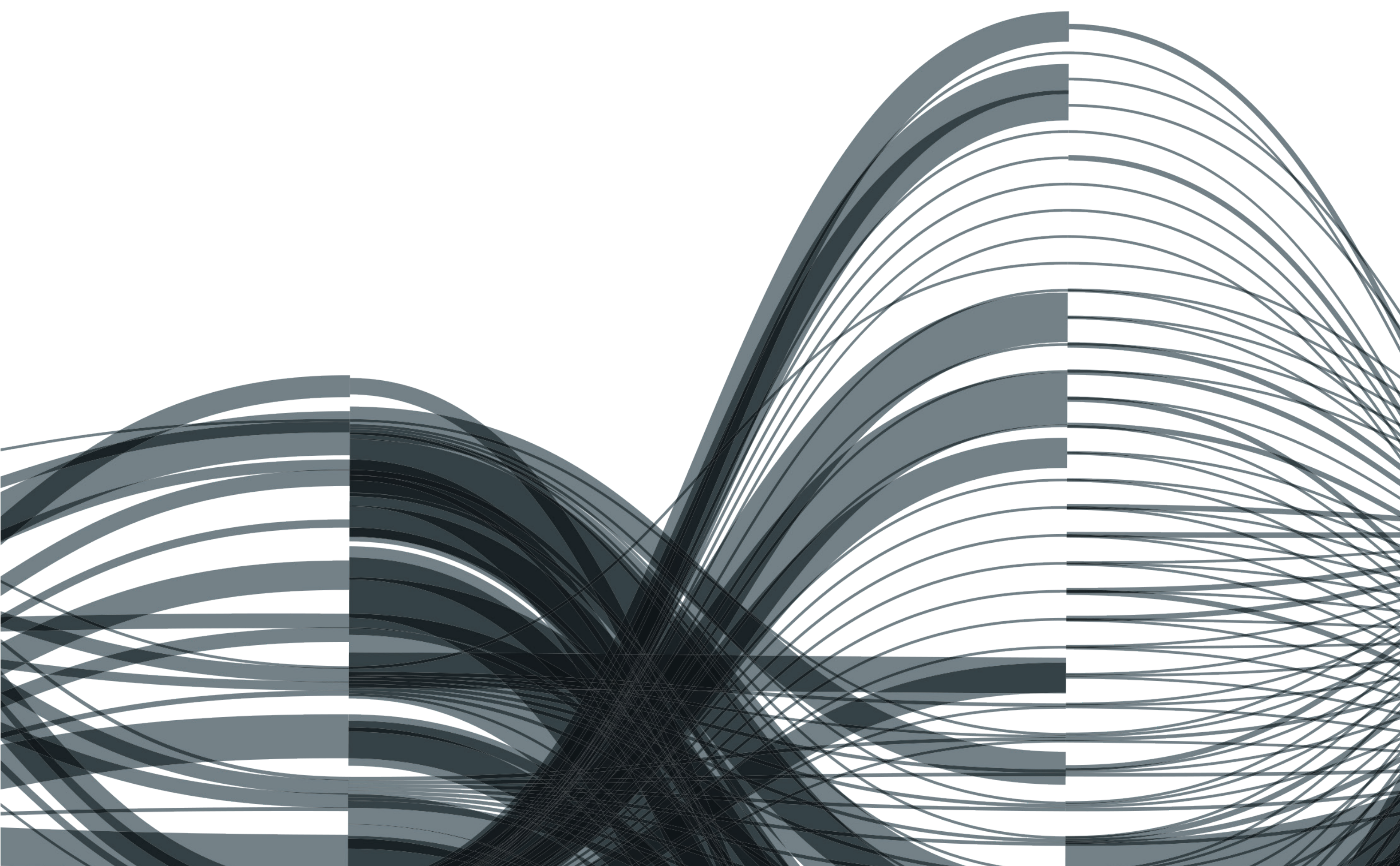
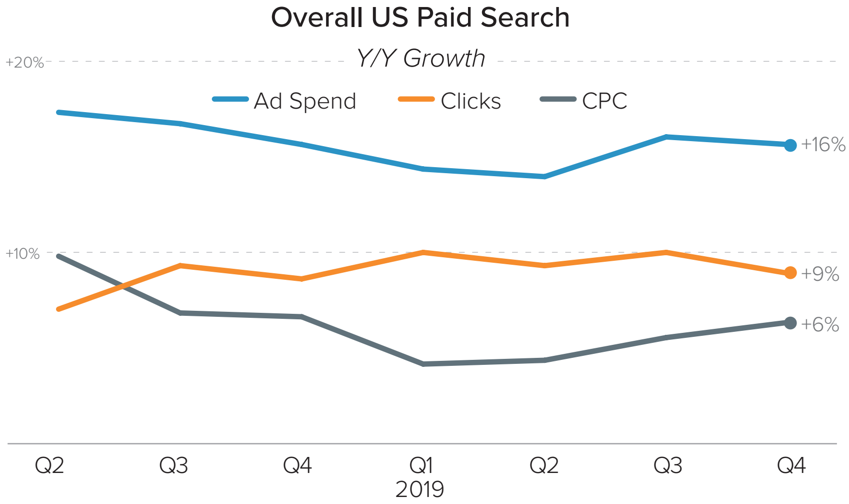
Advertisers used Google's Similar Audience targeting to generate 11% of their Google search ad clicks in Q4 2019, up significantly from 5% a year earlier. Remarketing lists for search ads (RLSAs) accounted for a little over 18% of all Google clicks in Q4, down significantly from a peak of 27% prior to Apple's release of ITP 2.0.

iOS devices and desktop Safari produced 54% of US Google search ad clicks in Q4 2019, up from 51% a quarter earlier.

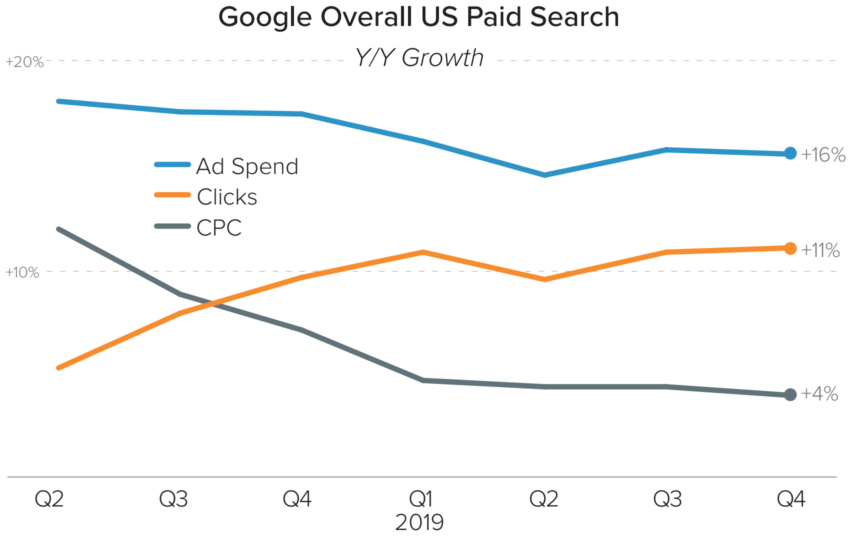


Search Ad Investment Growth Steady through Final Quarter of 2019



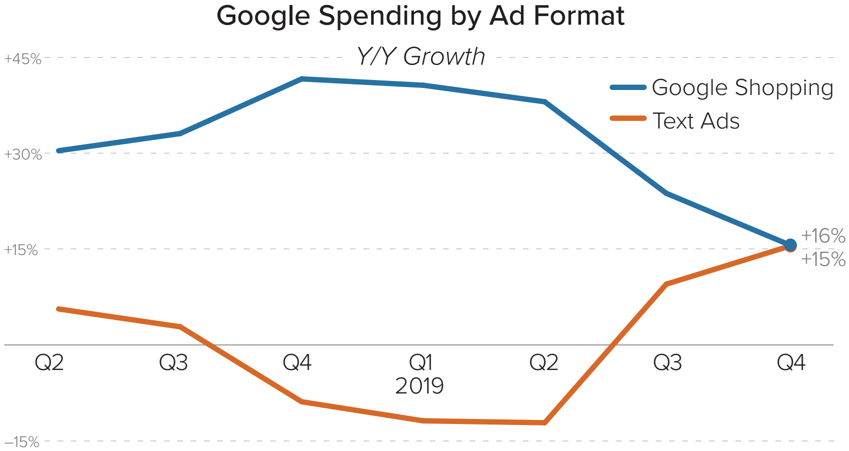
Advertiser spending on paid search ads grew 16% Y/Y in Q4 2019, in line with results observed for Q3 2019. Search ad click growth slowed slightly from Q3 to Q4 2019, coming in at 9% Y/Y. Average CPC growth accelerated to 6% Y/Y as advertisers faced spiking CPCs for Microsoft search ads. While retailers generated strong sales growth during the peak of holiday shopping, the shorter period between Thanksgiving and Christmas in 2019 may have been a bit of a headwind to ad spend growth.

Google Search Spend Growth Stable as CPC Growth Continues to Slow



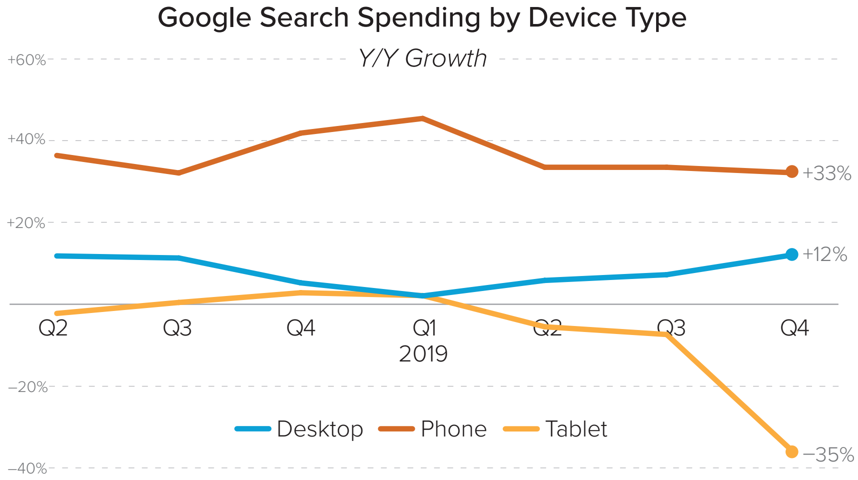
For the second quarter in a row, Google search ad spending grew just under 16% Y/Y in Q4 2019. Click growth ticked up slightly between Q3 and Q4 2019, managing to hit a nine-quarter high of a little over 11%. Google search CPC growth continued to decelerate as traffic has grown relatively quickly for the advertiser brand keyword and mobile ad segments, both of which command lower-than-average CPCs.

Spending Growth Roughly Equal for Google Shopping and Text Ads



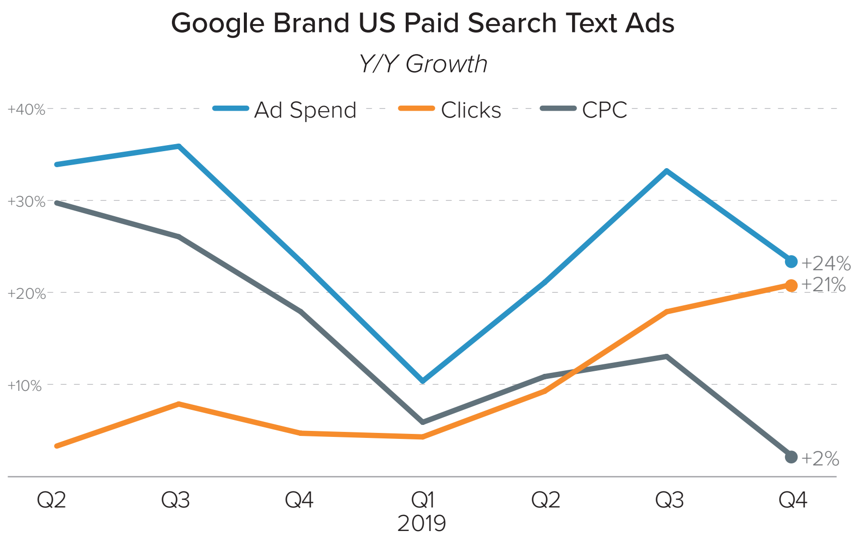
Spending growth for Google Shopping ads slowed from 24% Y/Y in Q3 2019 to 16% Y/Y in Q4 2019. Late 2018 had seen a spike in growth for Google Shopping, so advertisers are facing tougher year-ago comps. Conversely, text ad spending was in decline in late 2018 and has now rebounded to 15% growth. Text ads may be benefiting from Google's continued expansion of its close variants program, while advertisers have also worked to improve text click-through rates.

Renewed Click Growth Drives Up Desktop Google Search Spend



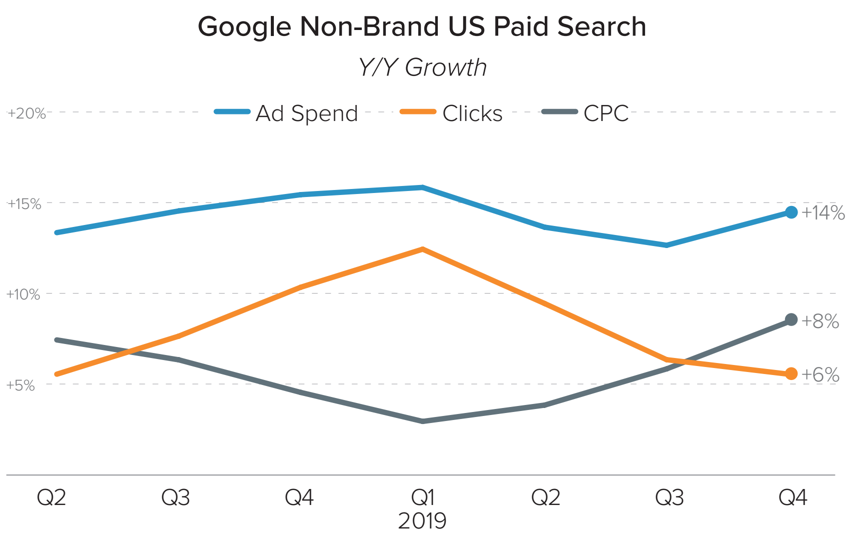
Desktop Google search ad spending growth improved five points to 12% Y/Y in Q4 2019, while phone spending growth slipped a point to 33% Y/Y. Desktop clicks rose for the first time in over two years, as spending gains in the interim had been driven entirely by higher CPCs. Interestingly, tablet spending declines steepened significantly from 8% in Q3 2019 to 35% in Q4 2019, a result echoed in the growth of organic search visits produced by tablets in the quarter.

Higher Click-Through Rates Drive Up Brand Clicks on Google



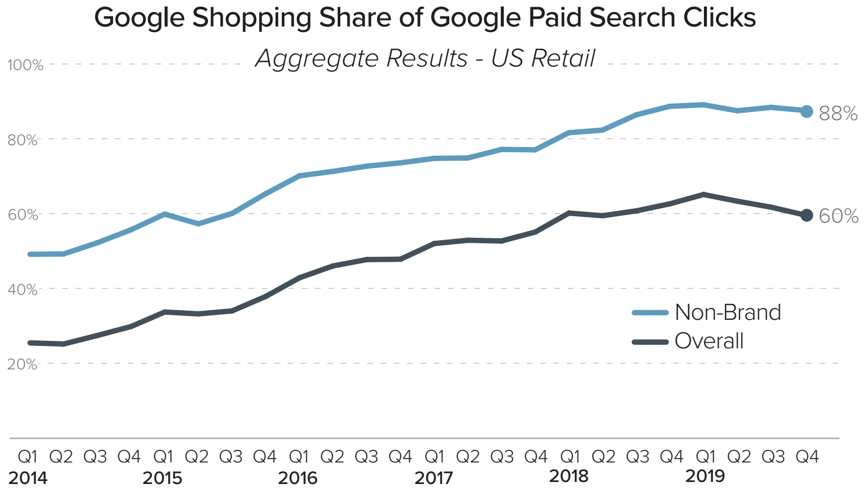
Clicks on advertiser brand keywords grew 21% Y/Y on Google in Q4 2019, up sharply from just 5% growth a year earlier. With CPCs rising 2%, spending on brand keywords rose 24% in Q4. Brand click-through rate (CTR) has improved over 20% since late 2018 as advertisers have worked in partnership with Google to improve creative excellence, expand ad coverage, and adopt the Responsive Search Ad format, which debuted in beta in mid-2018, but opened to all advertisers in October 2019.

Spending on Non-Brand Google Search Ads Rises on Higher CPCs



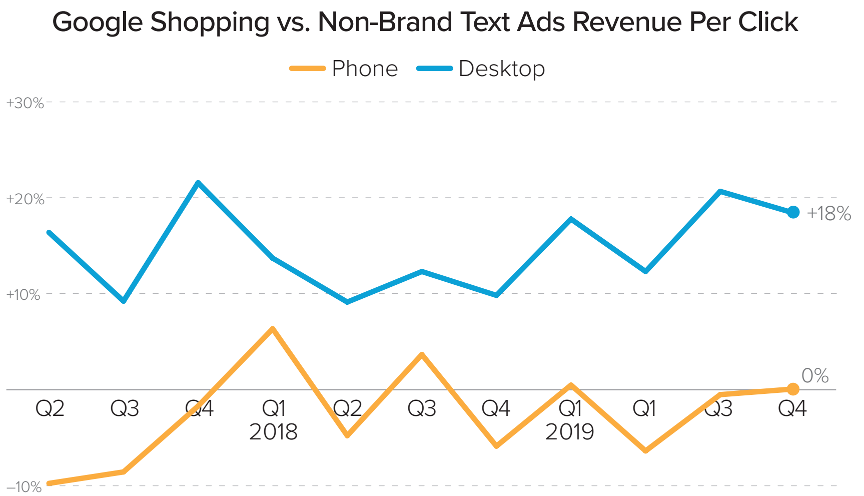
Spending on non-brand Google text and Shopping ads rose 14% Y/Y in Q4 2019, up from 13% growth in Q3 2019. Click growth slowed slightly to 6% Y/Y, while CPC growth accelerated for the third quarter in a row, coming in at 8%. Facing weaker year-ago comps and seeing higher click-through rates, non-brand text ads exhibited better click growth than earlier in the year, while Shopping click growth has decelerated after a big jump in late 2018.

Google Shopping Click Share Flat Despite Strength of Newer Formats



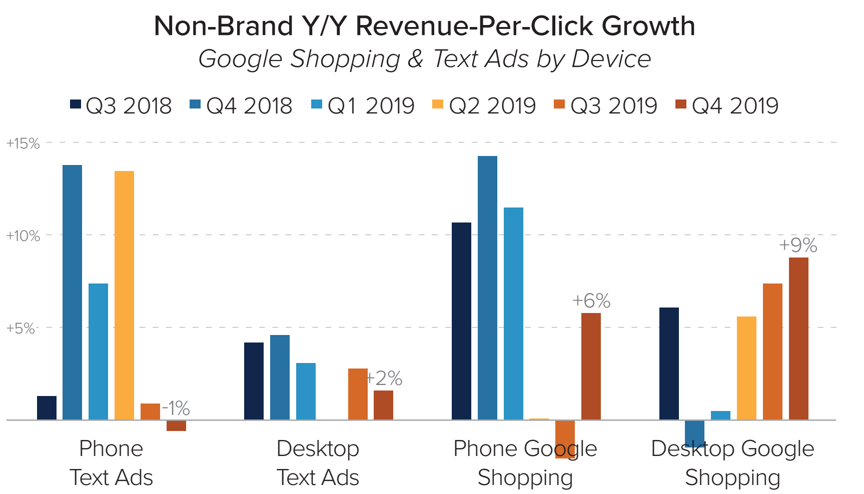
After rising seven points over 2018, the share of retailers' non-brand Google search ad clicks produced by Google Shopping ads has largely plateaued standing at just under 88% in Q4 2019. While newer Shopping formats like Showcase Shopping ads and Local Inventory Ads (LIAs) have seen greater prominence in the past year, it seems that some of those gains have come at the expense of standard Shopping ads. Text ad performance has also improved in recent quarters.

Google Shopping Ads Maintain Revenue Per Click Advantage Over Text Ads



Even as there have been significant swings in volume growth rate for Google Shopping and non-brand text ads in recent years, the formats' relative performance in terms of revenue per click has been remarkably steady. On desktop, Shopping revenue per click was 18% higher than text revenue per click in Q4 2019, toward the higher end of the range retailers have seen since early 2017. On phones, Shopping and text ad revenue per click was roughly equal in Q4 2019.

Desktop Google Shopping Ads Deliver Biggest Revenue-Per-Click Growth

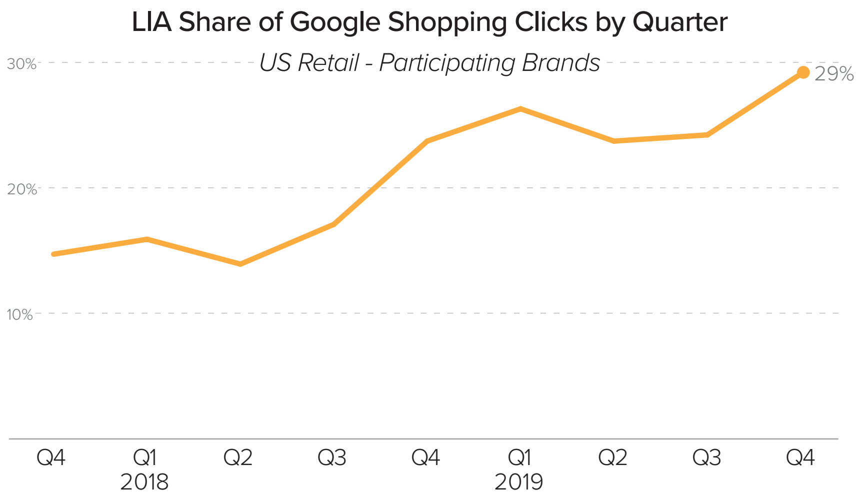


Looking at a breakdown of Google ad format performance by device, revenue-per-click growth improved for Google Shopping ads on both phones and desktops. Desktop Google Shopping revenue per click improved nearly 9% Y/Y in Q4 2019, while phone Google Shopping revenue per click rose nearly 6% on average. Non-brand text ad revenue per click fell slightly on phones and improved 2% on desktop.

Amazon's Share of Google Shopping Impressions Much Higher than Last Year

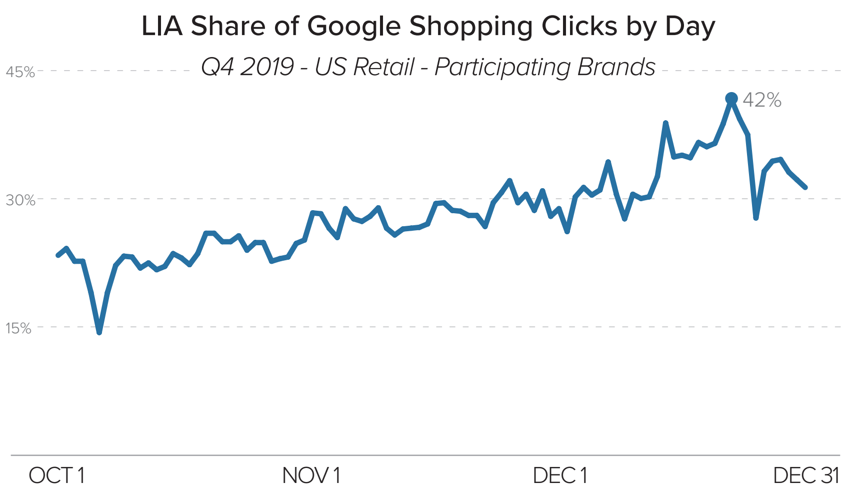
While its share of Google Shopping impressions dipped during Cyber Week and generally declined over the course of the quarter, Amazon was much more prominent in Google Shopping auctions in Q4 2019 than a year earlier. Since entering the Shopping space at the tail-end of 2016, Amazon has always been most prominent in home goods auctions, but the past year has seen it ramp up spend in apparel, consumer electronics, and other categories. Amazon had pushed spend in the run up to Prime Day and has been more aggressive since.

Google Local Inventory Ad Click Share Hits All-Time High



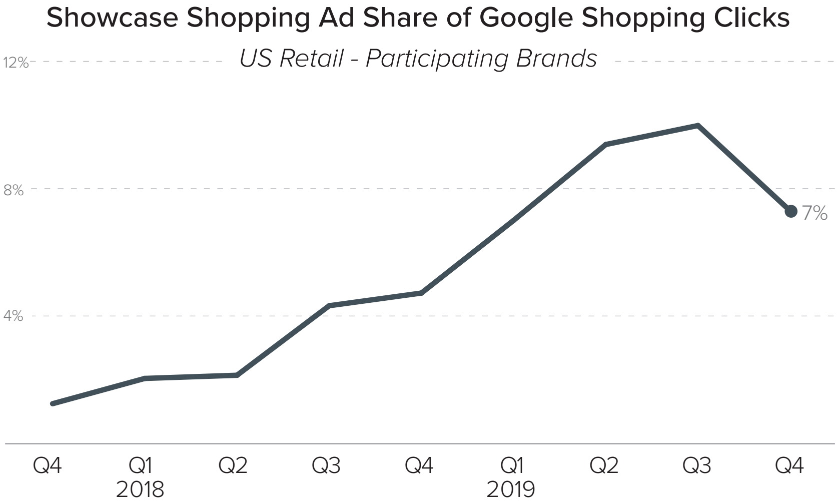
With many holiday shoppers looking to purchase in store, particularly in the final days before Christmas, Google's Local Inventory Ads (LIAs) played a significant role in Q4 2019 for brick-and-mortar retailers. Among brands using the format, LIAs generated 29% of all Google Shopping clicks in Q4 2019, up five points from a quarter earlier and reaching a new all-time high. In 2018, LIA share jumped seven points between Q3 and Q4.

Google LIA Click Share Peaked Three Days Before Christmas



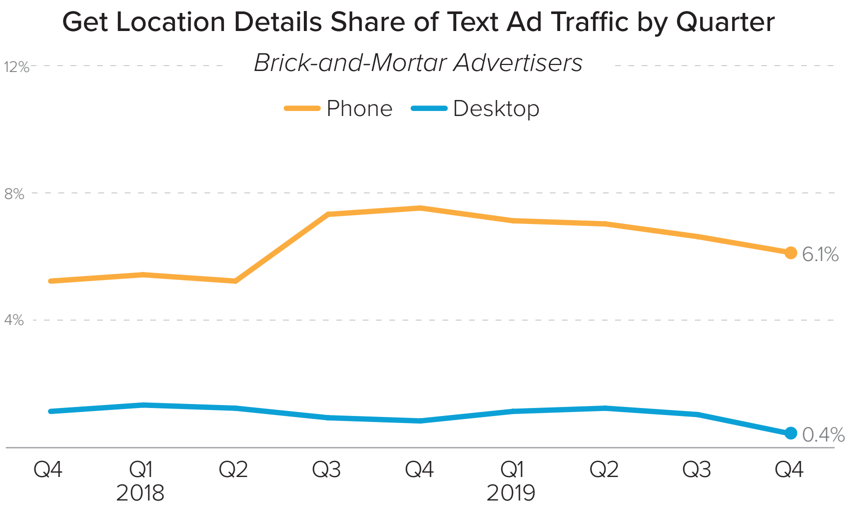
At the daily level, Local Inventory Ad click share generally rose throughout the fourth quarter of 2019. In the last few weeks before Christmas, LIA click share exhibited notable spikes over the weekends and it ultimately peaked on Sunday, December 22. With most shipping cut offs reached at that point, LIAs generated an impressive 42% of all Google Shopping clicks, among retailers using the format.

Showcase Shopping Click Share Dips as LIAs Gain Share



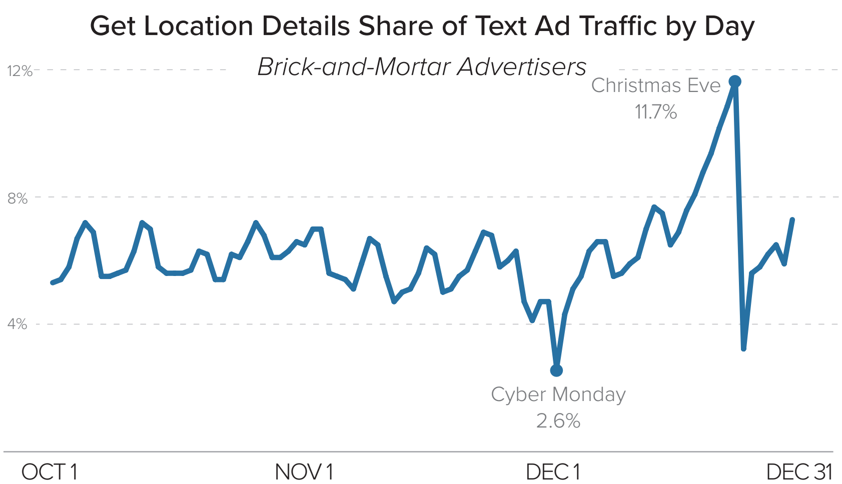
Showcase Shopping ads generated 7% of total Google Shopping clicks for participating brands in Q4 2019. That rate was down from 10% in Q3 2019, but up from 5% in Q4 2018. Showcase Shopping ads allow advertisers to present multiple products in one listing and the format often shows for more general searches than traditional Shopping ads. The Q4 share decline speaks more to the relatively strong performance of Local Inventory Ads during the quarter than a change in the value of the Showcase format.

Google Maps Share of Text Ad Clicks Continues to Slide



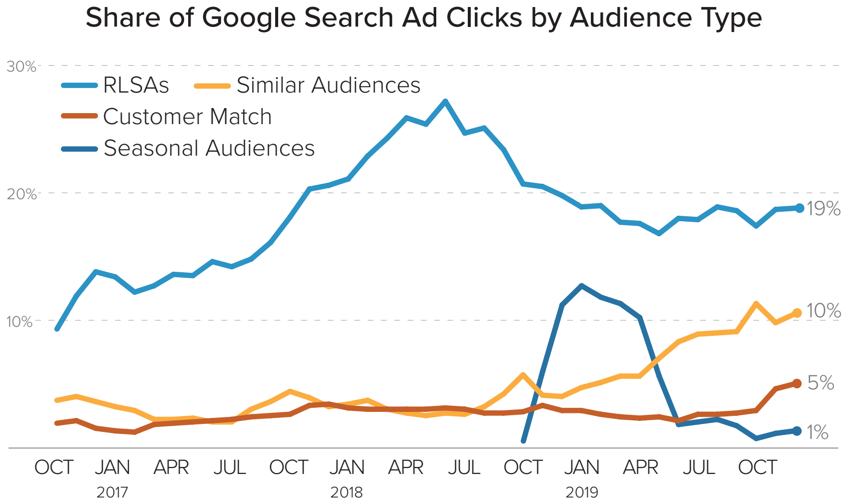
After spiking in the second half of 2018, the share of Google text ad traffic produced by Get Location Details clicks on Google Maps has been on the decline. On phones, these clicks generated 6.1% of total Google text ad clicks in Q4 2019, down from 7.5% a year earlier for advertisers with a brick-and-mortar presence. While Google Maps ad clicks are still growing year-over-year, other text ad segments, particularly advertiser brand keywords, are now growing faster.

Maps Has Biggest Impact on Google Ad Clicks on Christmas Eve



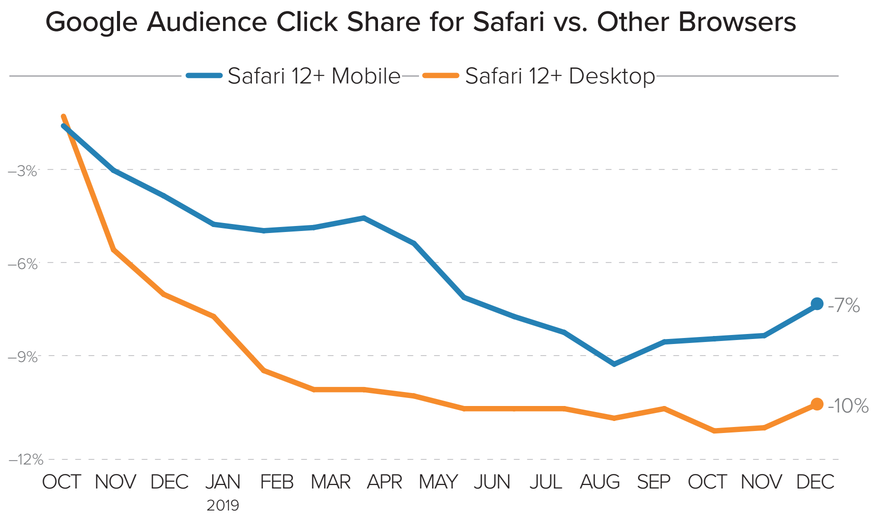
Looking at daily trends for Get Location Details clicks produced by Google Maps, brick-and-mortar advertisers saw fairly steady results for Maps clicks through October and early November, with Get Location Details click share spiking over the weekends. On Cyber Monday, Get Location Details share of text ad clicks fell sharply to 2.6%, a low for the quarter. From there, Get Location Details click share generally rose, before peaking at nearly 12% on Christmas Eve.

Similar Audiences and Customer Match See Share of Google Clicks Rise



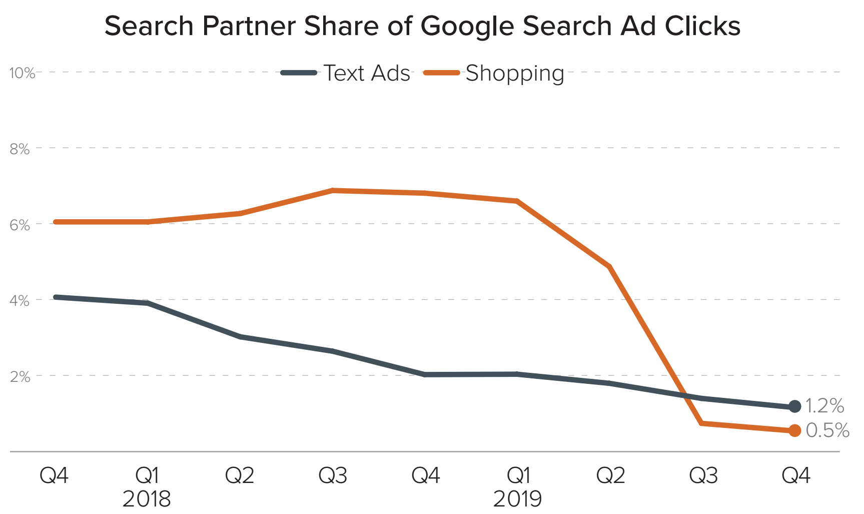
Advertisers used Google's Similar Audience targeting to generate 11% of their Google search ad clicks in Q4 2019, up significantly from 5% a year earlier. Also seeing gains, Customer Match generated 5% of clicks by the end of the year. RLSAs accounted for a little over 18% of all Google clicks in Q4 2019, roughly in line with a quarter earlier, but still down significantly from a peak of 27% prior to Apple's release of ITP 2.0. Notably, advertisers did not see a significant uptick in Seasonal Audiences like they did in Q4 2018.

Safari Audience Targeting Deficit Narrows Slightly on Mobile



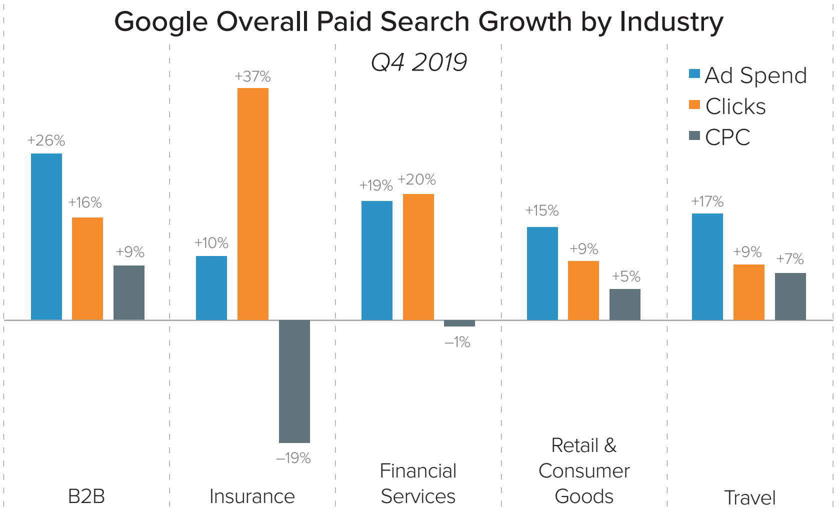
Compared to other browsers, the share of Google search ad clicks tied to an audience targeting product was seven points lower on mobile Safari in December 2019 and 10 points lower on desktop Safari. While Apple's ITP 2.0 and subsequent iterations appear to have limited the use of RLSAs on Safari, the latest version of ITP, 2.3, released in September 2019, did not appear to impact audience targeting on Apple devices. In fact, the audience click share deficit has narrowed slightly in recent months for mobile Safari.

Google Search Partners Continue to Play a Small Role in Generating Ad Clicks



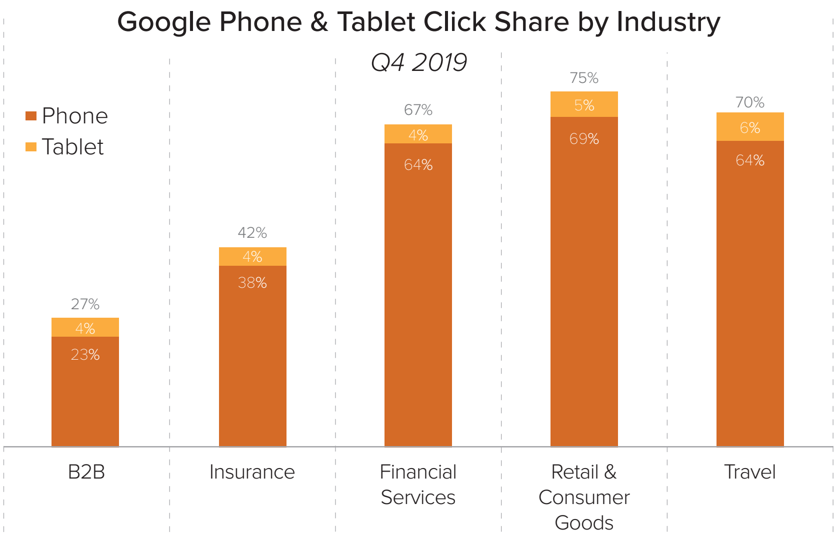
With Google reclassifying its image search product from a search partner to a core component of the Google Search Network, the share of Google Shopping clicks produced by Google partners declined sharply in mid-2019. Earlier in the year, Yahoo stopped running Google Shopping ads on its search site in favor of Microsoft's Product Ads. In Q4 2019, search partner click share continued to decline for Shopping, albeit at a slower pace, in line with declines seen over time for text ads.

Retail and Travel See Slower Google Search Spend Growth



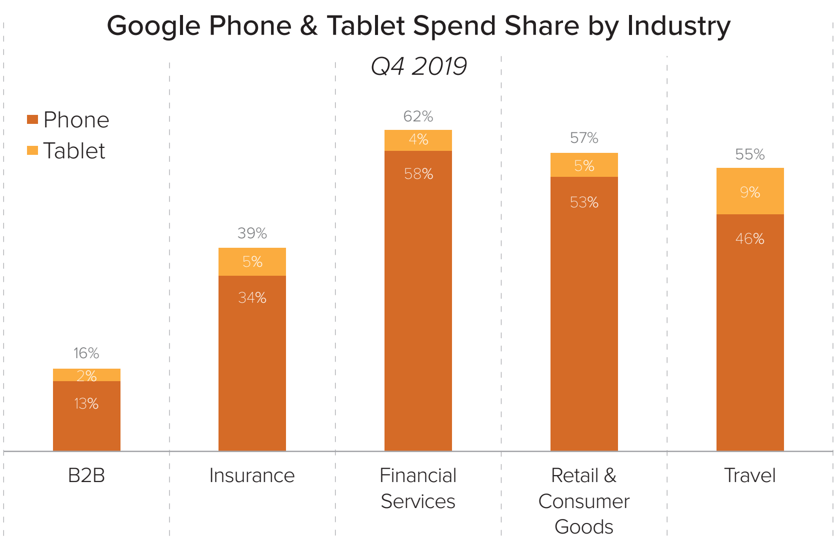
Google search ad spending growth accelerated between Q3 and Q4 2019 across three of the five major industries analyzed for this report, with retail and consumer goods and travel as the exceptions. With spending growth slowing from 16% Y/Y in Q3 to 15% in Q4, retail faced headwinds from a more aggressive Google Shopping competitor in Amazon, and from the period between Thanksgiving and Christmas running six days shorter than in 2018.

Most Industries See a Small Dip in Mobile Share of Google Clicks



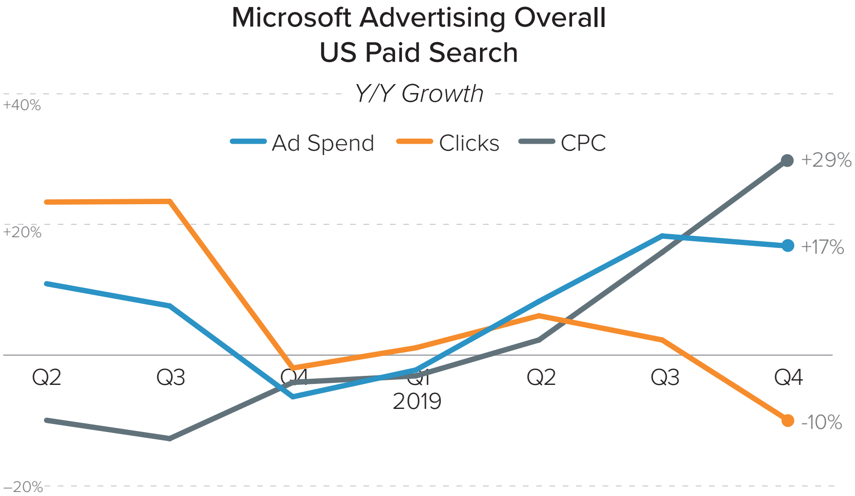
Most industries saw some decline in the share of Google paid search clicks produced by mobile devices between Q3 and Q4 2019. B2B did see an increase in mobile click share, but phones and tablets combined for only 27% of B2B clicks in Q4 2019. For retail and CPG, phones alone generated 69% of Google search ad clicks, with tablets producing another 5%. Travel was also heavily mobile, with phones and tablets generating 70% of Google clicks.

Phone CPCs Relatively High, but Phone Spend Share Low for Insurance



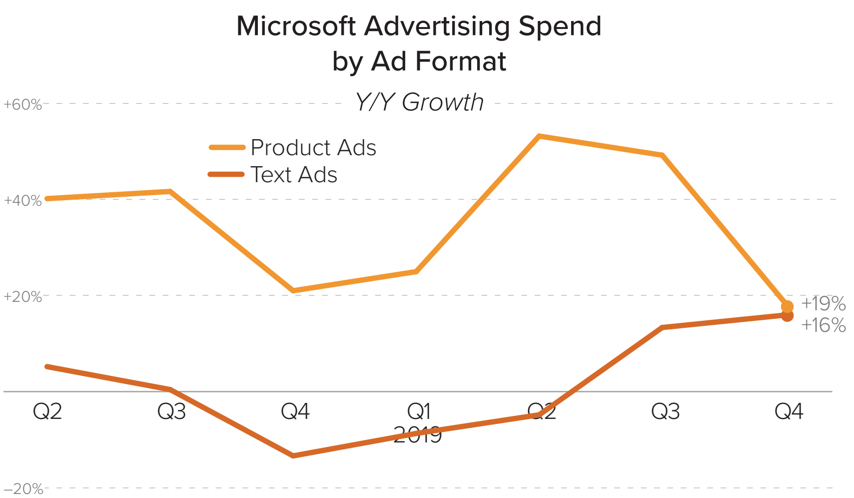
Although at 38%, phone click share was lower for insurance advertisers compared to financial services, retail, and travel advertisers, the insurance industry had the smallest gap between phone and desktop CPCs in Q4 2019. With phone CPCs just 14% lower than desktop CPCs, phones generated 34% of insurance spend on Google search ads. Retail had the largest gap between phone and desktop CPCs at 44%, but phones still generated 53% of retail spend in Q4 2019.

Weaker Mobile Growth, Higher Brand Costs Push Up Microsoft Search CPCs



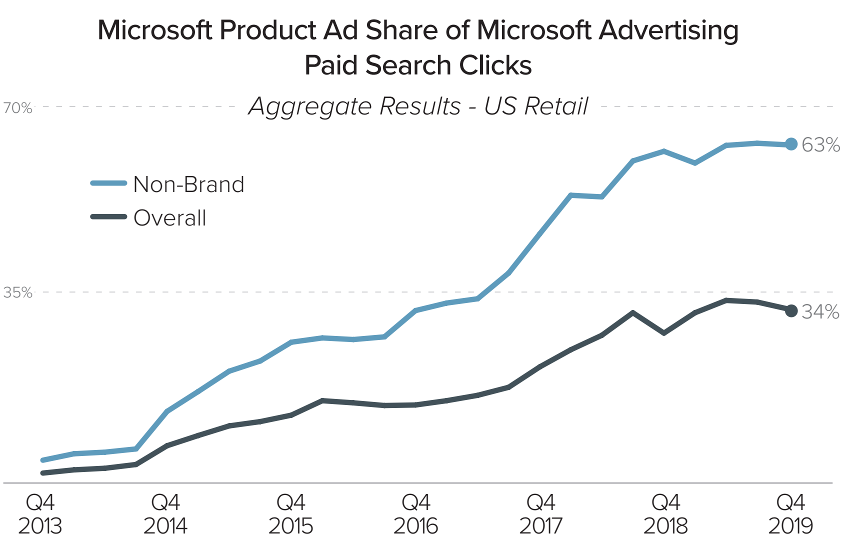
Spending on Microsoft search ads grew 17% Y/Y in Q4 2019, even as clicks fell 10% Y/Y. After spiking over late 2017 and early 2018, mobile Product Ad click growth began to slow sharply and has now been in decline for two quarters in a row, even as Product Ads are seeing click growth on desktop. This shift, along with a jump in CPCs for advertiser brand keywords, has pushed total CPC growth on Microsoft search ads up to 29% Y/Y in Q4 2019.

Microsoft Product Ads Maintain Spend Growth Advantage Over Text Ads



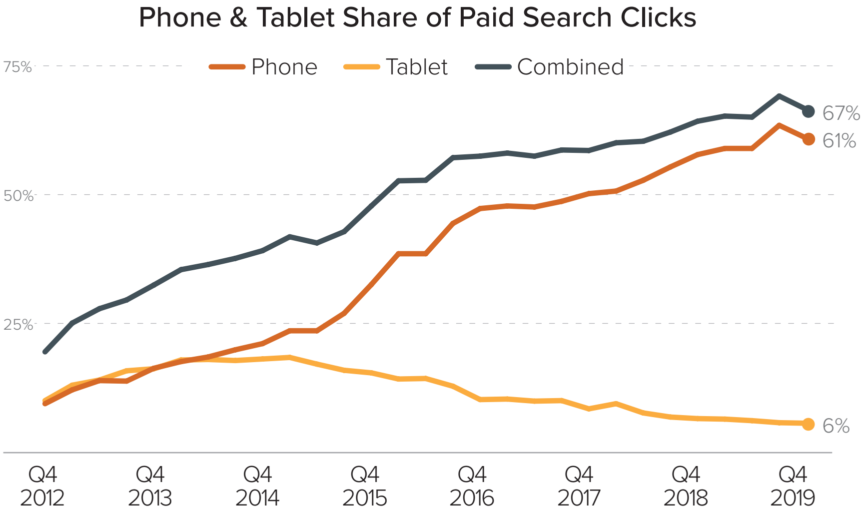
Despite declines in mobile Product Ad clicks, advertisers still increased their total Product Ad spending by 19% in Q4 2019, which outpaced Microsoft text ad growth of 16%. Importantly, while mobile Product Ad volume has been down, the clicks that remain are better quality, with revenue per click running about 40% higher Y/Y for the typical retailer. As a result, Product Ads have commanded higher CPCs.

Microsoft Product Ad Share of Microsoft Advertising Paid Search Clicks



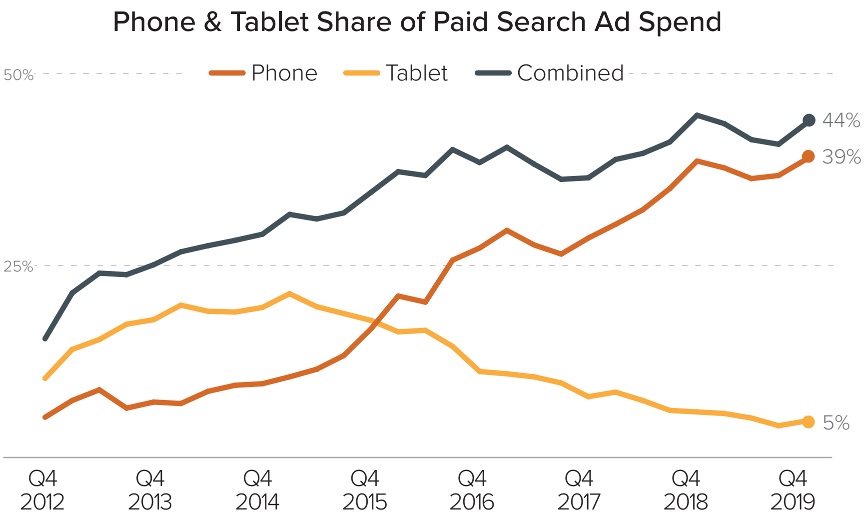
Among retailers, Microsoft Product Ads produced 33% of all Microsoft search ad clicks in Q4 2019. That was down from 34% in Q3 2019, but up from 28% in Q4 2018. For the third-straight quarter, Product Ads produced a little over 63% of non-brand Microsoft search ad clicks. For comparison, Google Shopping ads first produced 65% of retailers' Google search ad clicks in Q4 2015.

Phone and Tablet Share of Paid Search Clicks Slips to 67%



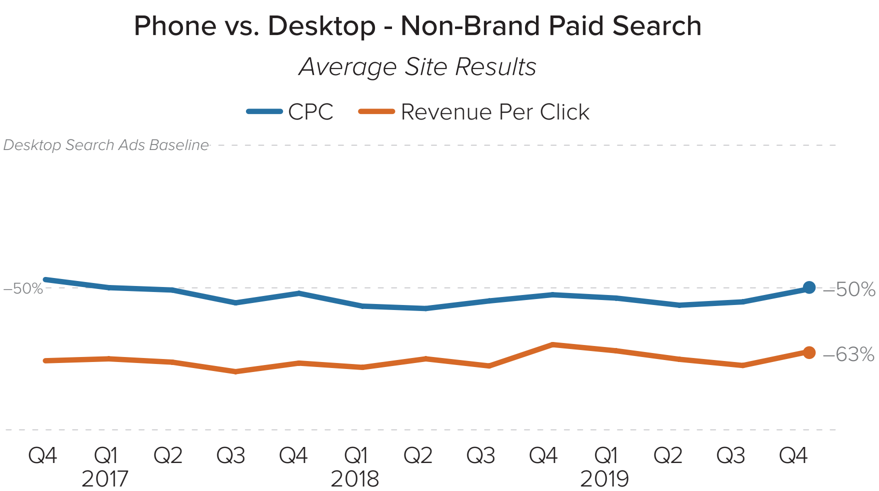
Phones produced 61% of all paid search clicks in Q4 2019, down from 64% in Q3 2019, but up from 58% in Q4 2018. Phone click share for Microsoft search ads slipped five points between Q3 and Q4 2019, while advertisers saw a smaller dip on Google. Tablet share of search ad clicks continued to slide, falling to 5.6% in Q4. Combined, mobile devices produced 67% of paid search clicks in Q4 2019, up three points from Q4 2018.

Phone Share of Search Ad Spend Reaches New All-Time High



Although phone share of paid search clicks fell between Q3 and Q4 2019, phone share of spend increased from 37% to 39%, a new all-time high. With tablets generating just under 5% of search ad spend in Q4 2019, desktop continues to account for a majority of paid search spending across Google and Microsoft's ad platforms combined.

Desktop Maintains CPC and Revenue Per Click Advantage Over Phones

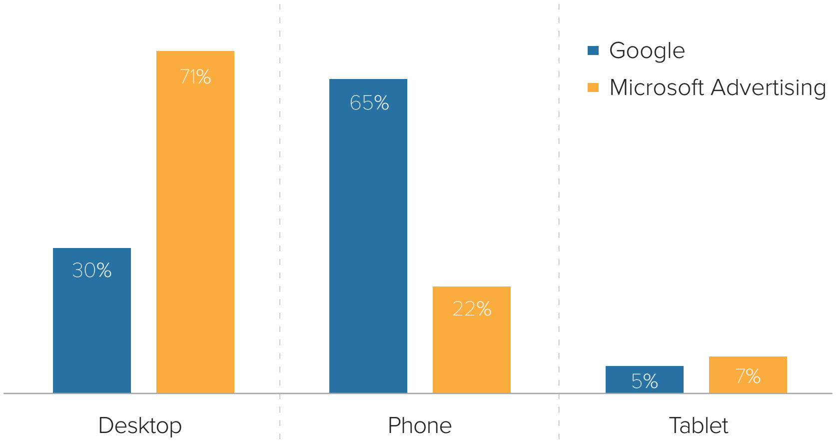


While the conversion performance of phone paid search clicks has improved over the years, it hasn't gained much ground on desktop. For non-brand paid search ads, online revenue per click was 63% lower for phones than desktop in Q4 2019. That was an improvement from the previous quarter, but worse than a year earlier. With advertisers accounting for additional metrics, such as offline conversions, the gap in CPCs between phones and desktop is smaller than the gap in online revenue per click.

Phone Share of Google Search Ad Clicks Up Four Points in Past Year

Device Share of Paid Search Clicks by Platform

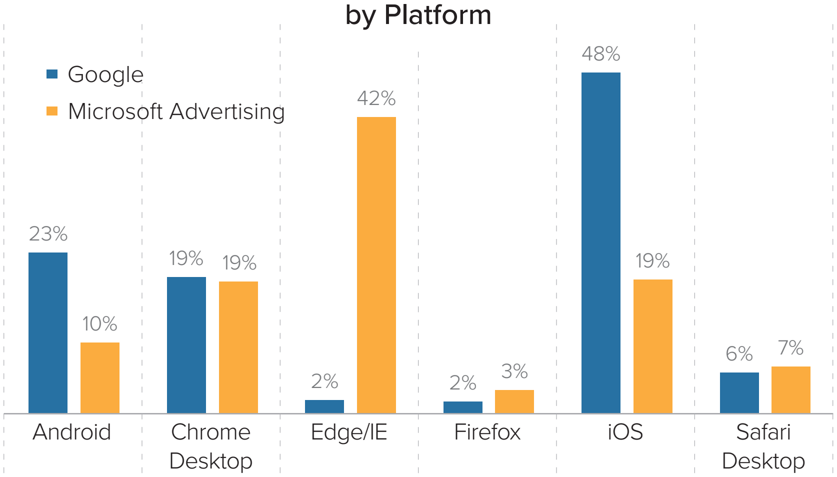
Q4 2019



Google generated 65% of its search ad clicks on phones in Q4 2019. That was down slightly from the previous quarter, but up four points from a year earlier. With tablets accounting for 5% of Google clicks, desktop click share was just 30%. For Microsoft search ads, desktop click share was 71% in Q4 2019, up from 65% in Q3. Phone share of Microsoft search ad clicks fell five points between Q3 and Q4 2019.

Apple Device Share of Google Search Ad Clicks Rises to 54% in the US

Browser/OS Share of US Paid Search Clicks by Platform

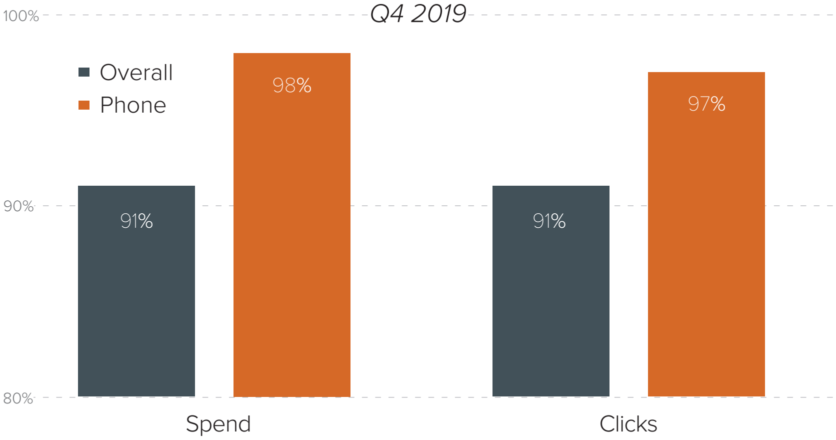


iOS devices and desktop Safari produced 54% of Google search ad clicks in Q4 2019, up from 51% a quarter earlier. Android generated 23% of Google clicks and desktop Chrome contributed another 19%. For Microsoft, its Internet Explorer and Edge browsers have been critical traffic producers, accounting for 42% of its search ad clicks in Q4 2019. For Google, Internet Explorer and Edge accounted for less than 2% of clicks.

Google Share of Search Ad Clicks Takes Modest Hit from Q1 to Q2 2019

Google Share of US Paid Search

Q4 2019



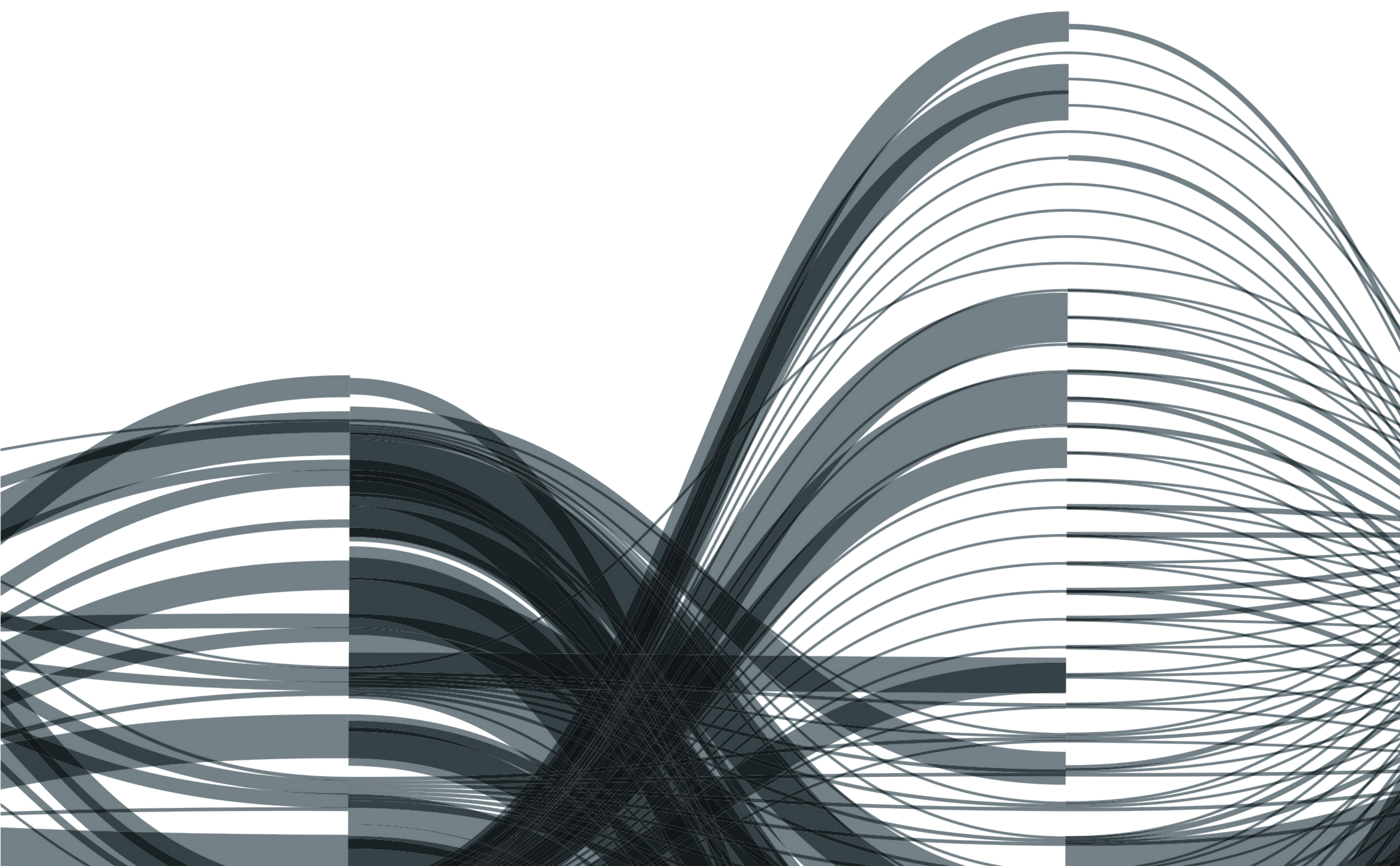
Google generated 91% of all US search ad clicks in Q4 2019 and commanded 91% of total advertiser search spending in Q4 2019. On phones, Google's share of clicks was 97% and its share of spend was 98%. In the past year, Microsoft has made some gains in desktop search click and spend share, but it has not been able to make a dent in Google's lead on mobile devices.

organic search & social

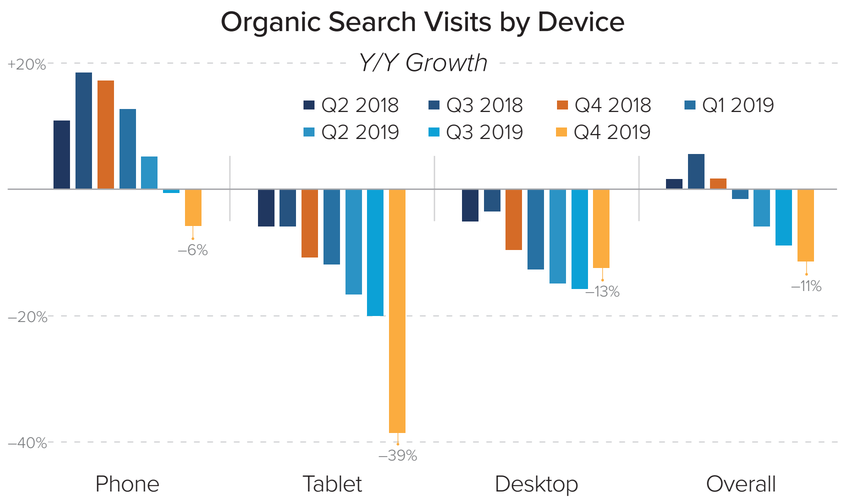
Total organic search visits fell 11% Y/Y in Q4 2019, down from a 9% decline a quarter earlier. Phone organic search visits declined 6%, down from a one point drop in Q3. Tablet visits fell much more sharply than a quarter earlier.

Despite recent visit declines, Google still produced over 92% of US organic search visits in Q4 2019, a slight increase from a year earlier. DuckDuckGo's share of organic visits has increased from 0.5% to 0.8% in the past year.

Led by Facebook, and for many retail brands, Pinterest, social media platforms generated 4.3% of all site visits in Q4 2019, up from 3.2% in Q4 2018.

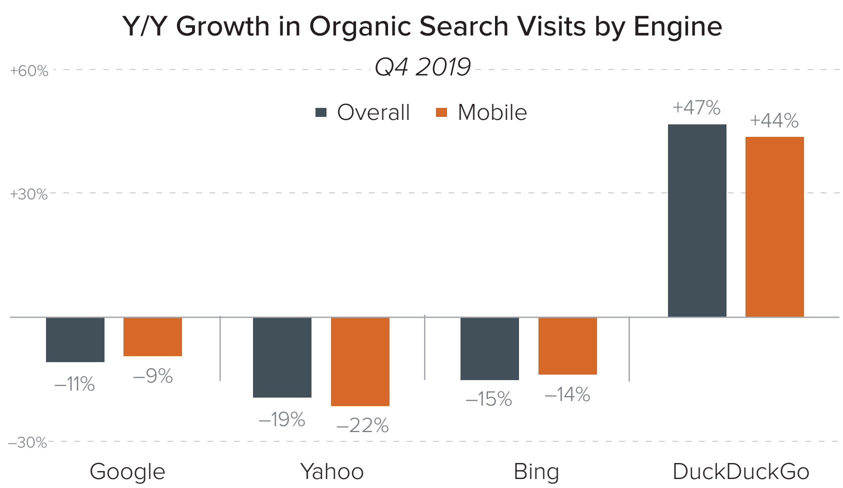


Organic Search Visit Declines Steepen as Traffic Falls Across All Device Types



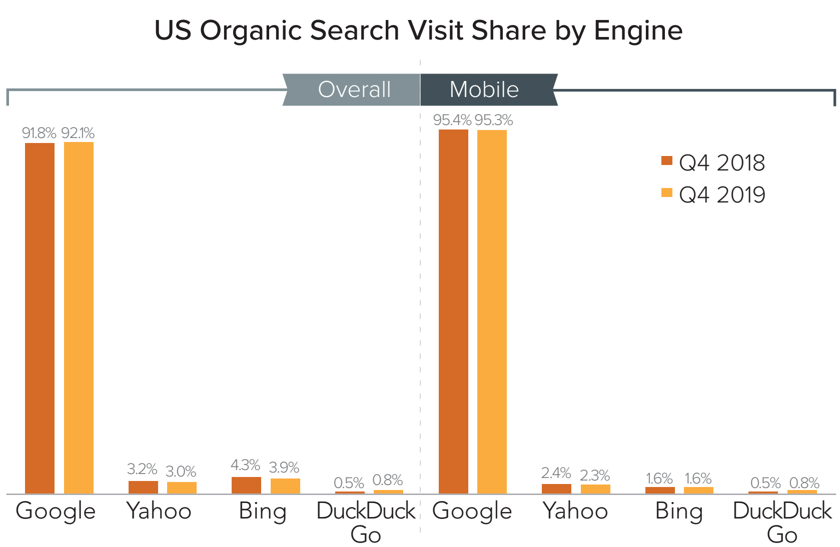
Total organic search visits fell 11% Y/Y in Q4 2019, down from a 9% decline a quarter earlier. Phone organic search visits declined 6%, down from a one point drop in Q3. Tablet visits fell much more sharply than a quarter earlier, similar to results seen for paid search, while desktop saw slightly narrower declines than in Q3. Overall, as advertisers have seen higher CTR for paid brand keywords in recent quarters, some have seen the opposite for their organic brand listings.

DuckDuckGo Less of a Boost to Organic Search Visit Growth in Q4



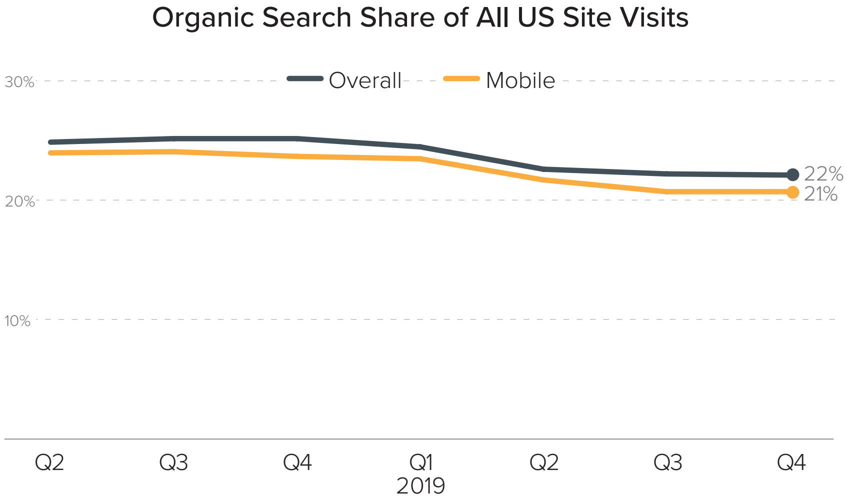
Organic search visits produced by Google fell 11% Y/Y overall in Q4 2019 and 9% on mobile devices. Yahoo organic search visits fell 19% overall and 22% on mobile, while Bing saw a 15% overall drop and 14% decline on mobile. While DuckDuckGo delivered 47% Y/Y growth in organic search visits overall in Q4 2019, that was down from 68% growth a quarter earlier. That deceleration contributed to the bigger decline in organic search visits across all engines compared to a quarter earlier.

Bing and Yahoo Lose Organic Search Share to Google, DuckDuckGo



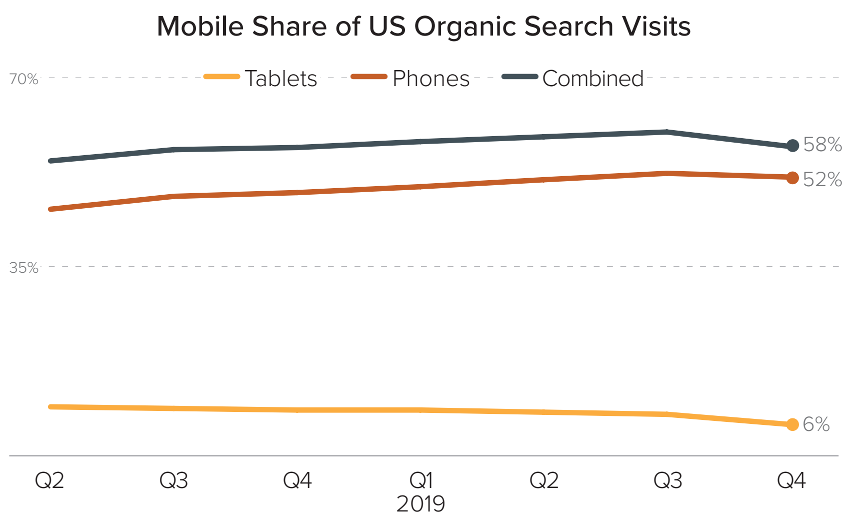
Despite recent organic search visit declines, Google still produced over 92% of US organic search visits in Q4 2019, a slight increase in share from a year earlier. Over the same period, Yahoo's share has fallen from 3.2% to 3.0%, while Bing's share has fallen from 4.3% to 3.9%. Meanwhile, DuckDuckGo's share of organic visits has increased from 0.5% to 0.8% overall. On mobile, DuckDuckGo produces over half as many visits as Bing.

Organic Search Loses Site Visit Share to Paid Search, Social



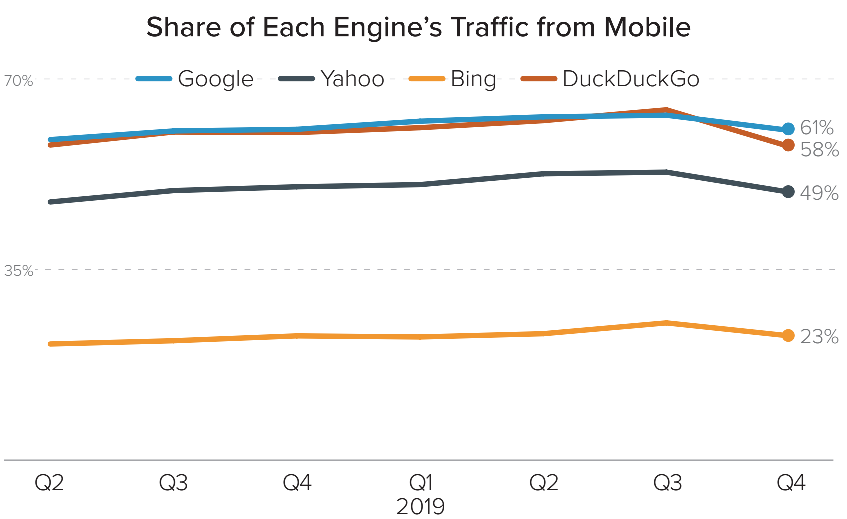
Organic search produced 22% of all site visits in Q4 2019. That was roughly in line with a quarter earlier, but down from over 25% in Q4 2018. In the past year, organic search has primarily lost visit share to paid search, social media, and direct site visits. On mobile devices, organic search visit share stood at just under 21% in Q4 2019, down from 24% a year earlier.

Mobile Share of Organic Search Nine Points Lower than Share of Paid



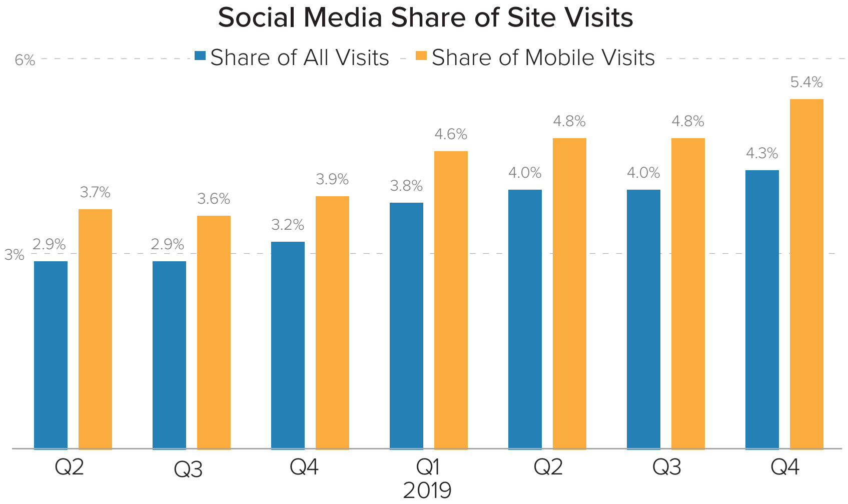
Phones and tablets combined to produce a little under 58% of organic search visits in Q4 2019, compared to 67% of paid search visits. Similar to results for paid search, mobile share of organic visits was down a couple points from the previous quarter, but up from the previous year. Phones generated 52% of organic search visits in Q4 2019, while tablets produced a little under 6%.

DuckDuckGo Sees Biggest Drop in Mobile Share of Organic Search



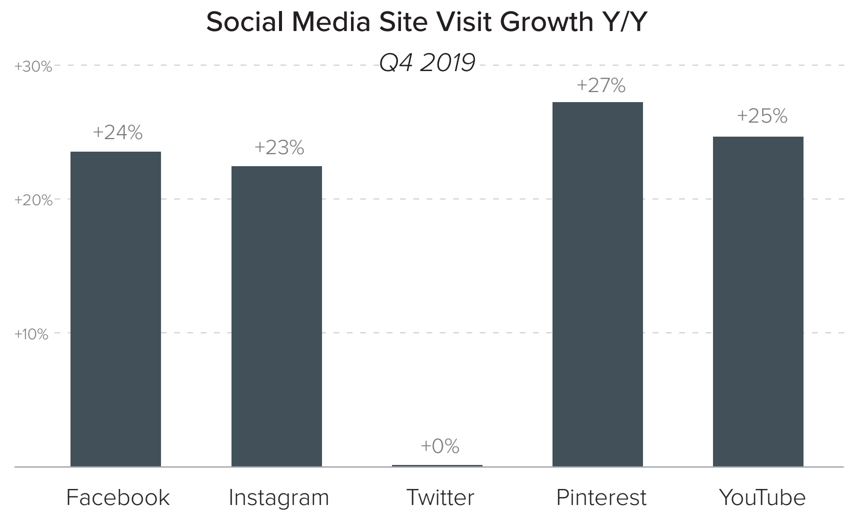
All of the major search engines saw some decline in the share of organic search visits produced by mobile in Q4 2019, primarily due to a two-point overall share decline for tablets. Notably, DuckDuckGo saw mobile share fall from a little under 65% in Q3 2019 to 58% in Q4 2019. In the prior quarter, DuckDuckGo had seen mobile produce a larger share of its organic search visits than it did Google organic search visits for the first time. In Q4 2019, though, mobile devices generated 61% of Google organic search visits.

Social Platforms Generate 5.4% of Mobile Visits to Brand Sites



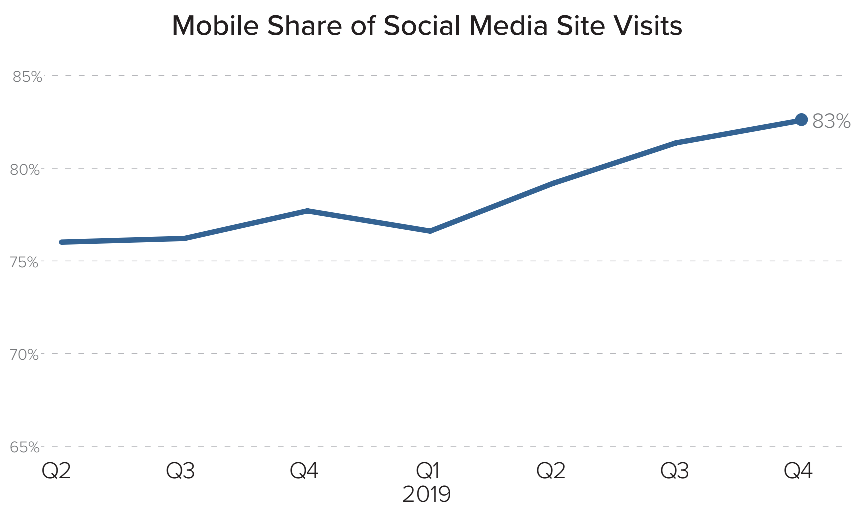
Led by Facebook, and for many retail brands, Pinterest, social media platforms generated 4.3% of all site visits in Q4 2019, up from 4% a quarter earlier and 3.2% in Q4 2018. On mobile devices, social media has a bigger impact on site traffic, as it generated 5.4% of site visits on phones and tablets in Q4 2019. That was up from 4.8% in Q3 2019, and 3.9% in Q4 2018.

Pinterest Delivers Highest Site Visit Growth Rates Across Social Platforms



Visits to brand sites produced by Facebook and Instagram grew 24% and 23% Y/Y, respectively in Q4 2019, a one-point acceleration from a quarter earlier for both social platforms. With visits up 27% Y/Y, Pinterest delivered the highest social media site visit growth rates in the quarter. YouTube site visit growth was just behind at 25% Y/Y, up from 13% in Q3 2019. Site visits produced by Twitter were flat in Q4 2019, following an 11% decline in Q3 2019.

Phones and Tablets Combine for 83% of Site Visits from Social Media



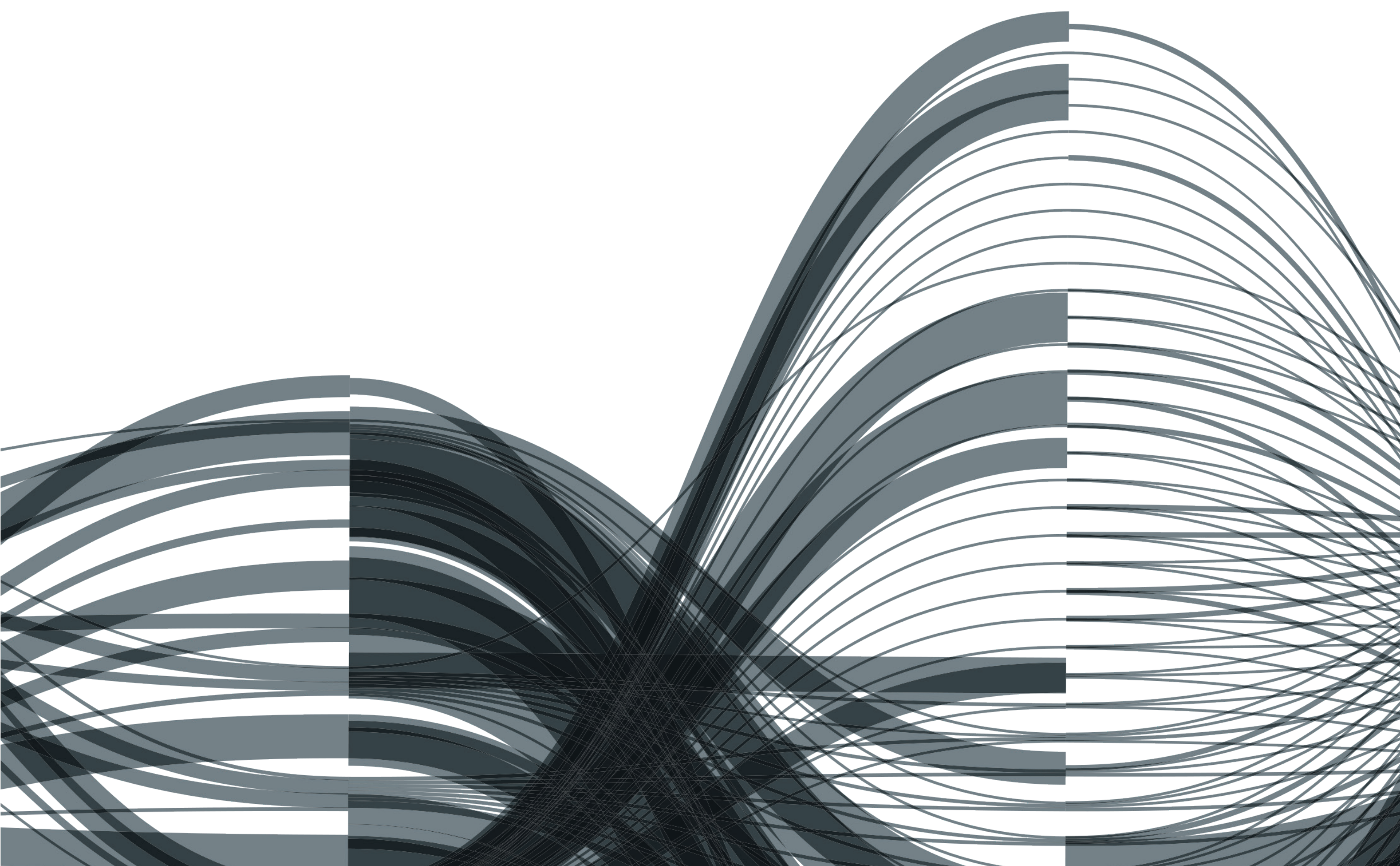
While paid and organic search saw small declines in mobile traffic share in Q4 2019, mobile's share of visits produced by social media continued to climb higher. Phones and tablets combined to produce just under 83% of site visits from social media platforms in Q4 2019, up from 78% a year earlier. The largest social platform, Facebook, sees an even higher contribution from mobile.

display & paid social

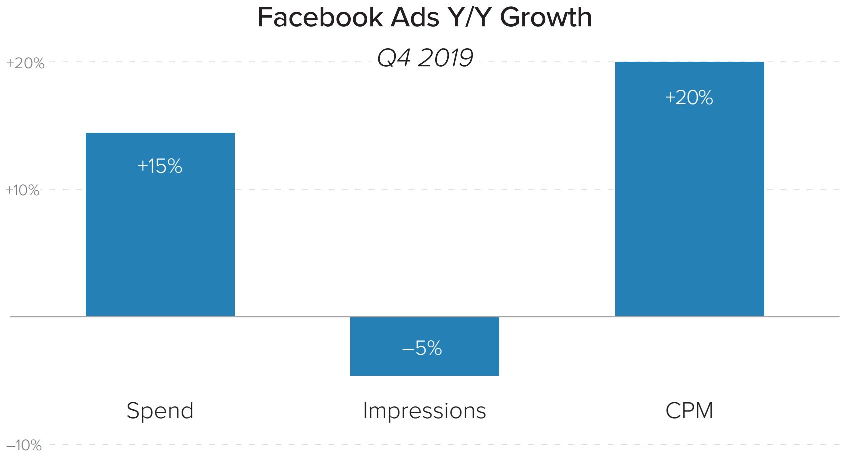
Spending growth for Facebook ads, excluding Instagram, accelerated for the third quarter in a row, closing out the year at 15% Y/Y growth in Q4 2019. Average CPM increased 20%, while impressions fell 5%.

In Q4 2019, Instagram ad spend rose 38% Y/Y, down from 44% growth in Q3 2019. Instagram ad impressions rose 29% Y/Y in Q4, while average CPM increased by 7%. Instagram Stories ads generated 25% of Instagram ad clicks in Q4.

Across all platforms, including the Google Display Network (GDN) and DV360, display advertising spending grew 8% Y/Y in Q4 2019. Total social media ad spending growth was 21% Y/Y.

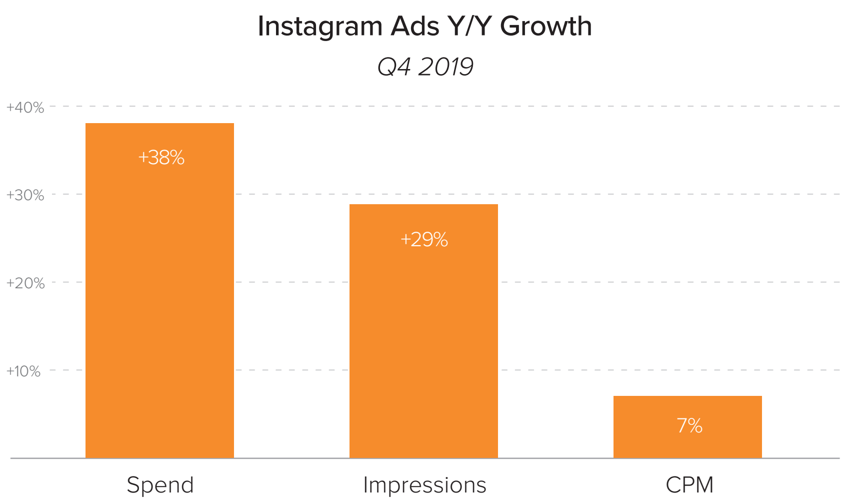


Excluding Instagram, Facebook Ad Spending Up 15% Y/Y



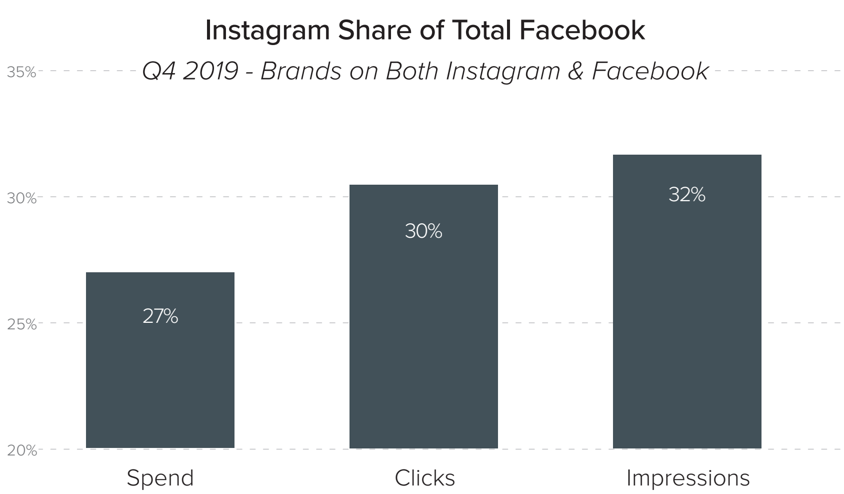
Spending growth for Facebook ads, excluding Instagram, accelerated for the third quarter in a row, closing out the year at 15% Y/Y growth in Q4 2019. Over the past few quarters, Facebook impression growth has slowed, while average CPM have been on the rise. In Q4 2019, Facebook ad impressions fell 5% Y/Y, down from a 20% increase a quarter earlier. Average CPM rose 20% in Q4 2019, up from a 7% decline in Q3.

Instagram Spending Growth Continues to Outpace Most Major Platforms



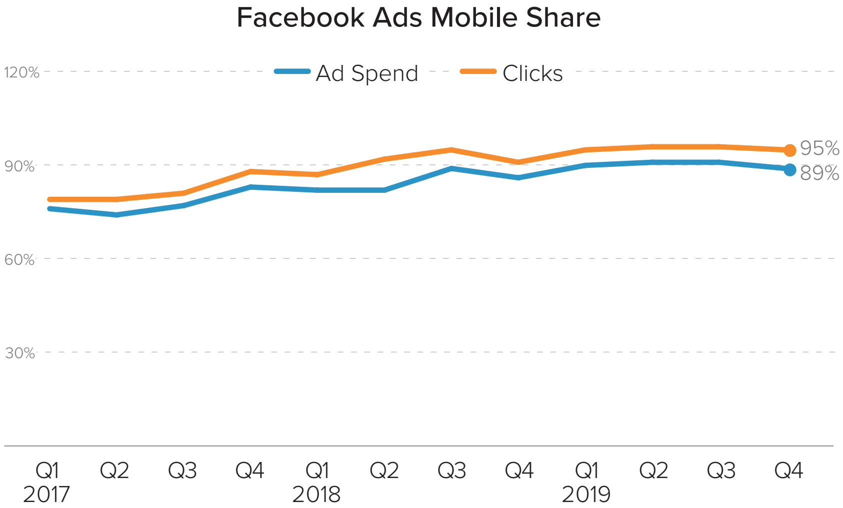
As it has grown to command an increasing share of overall Facebook ad budgets, Instagram has seen its rate of spending growth cool off a bit, but it is still growing quite a bit faster than most other major ad platforms. In Q4 2019, Instagram ad spend rose 38% Y/Y, down from 44% growth in Q3 2019. Instagram ad impressions rose 29% Y/Y in Q4, while average CPM increased by 7%.

Instagram Share of Total Facebook Spend Rises Six Points in Past Year



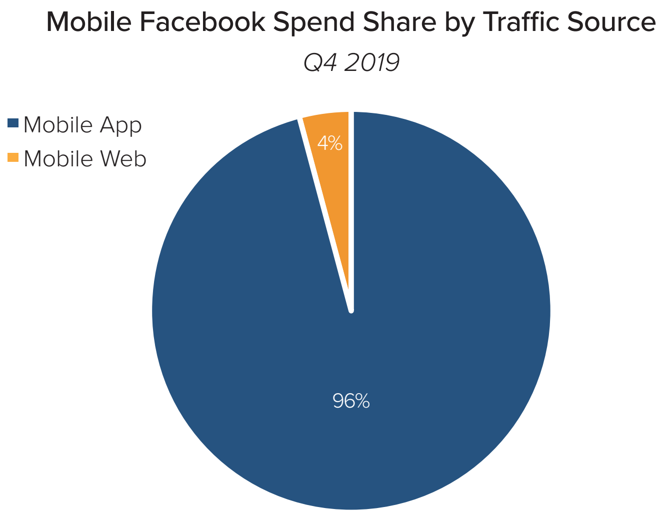
For advertisers running ads on both Instagram and Facebook in Q4 2019, Instagram accounted for 27% of total Facebook ad spend, up from 21% a year earlier. Instagram produced 30% of total Facebook clicks in Q4 2019 and 32% of impressions. Nearly all brands that run Facebook ads with Merkle also run Instagram ads. Instagram's share of Facebook has risen as more brands have seen it as a best practice to optimize across all of Facebook's platforms. Instagram CPMs are also cheaper on average.

Mobile Devices Account for 95% of Facebook Ad Clicks, 89% of Spend



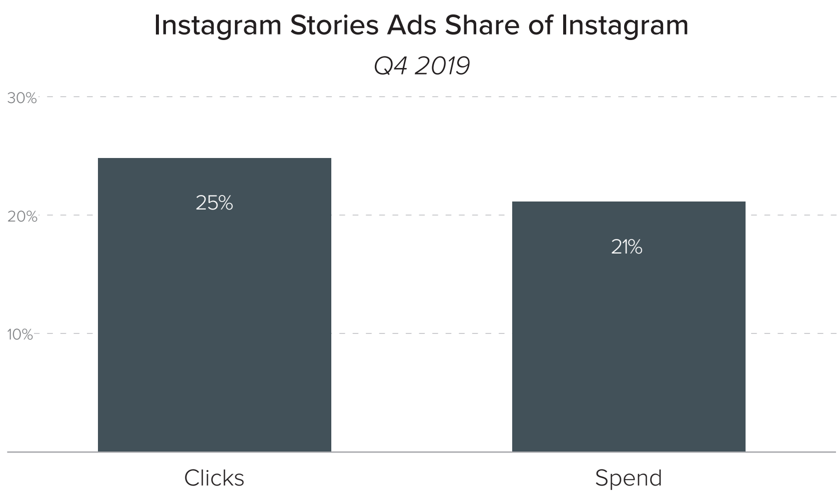
Phones and tablets produced 95% of Facebook ad clicks in Q4 2019, down slightly from Q3 2019, but up from 91% in Q4 2018. Mobile devices accounted for a smaller share of Facebook spend at 89% in Q4 2019, which was up from 86% a year earlier. Although desktop produces a much smaller share of Facebook traffic compared to paid search, it does command higher CPCs than mobile on par with the advantage seen for search ads.

96% of Mobile Facebook Spend Going to Reach Facebook App Users



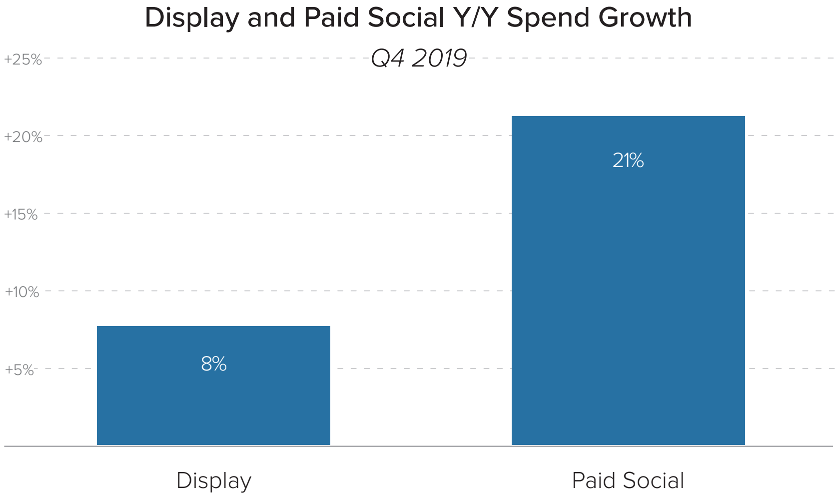
Across the advertising spend going to mobile Facebook ads, 96% of it went to ads displayed within Facebook's mobile apps, including Facebook's Messenger. Just 4% of mobile Facebook ad spend went to reaching users accessing the service on the mobile web using standard web browsers. The breakdown is similar for mobile Facebook click share.

Instagram Stories Ads Generate 25% of Instagram Ad Clicks



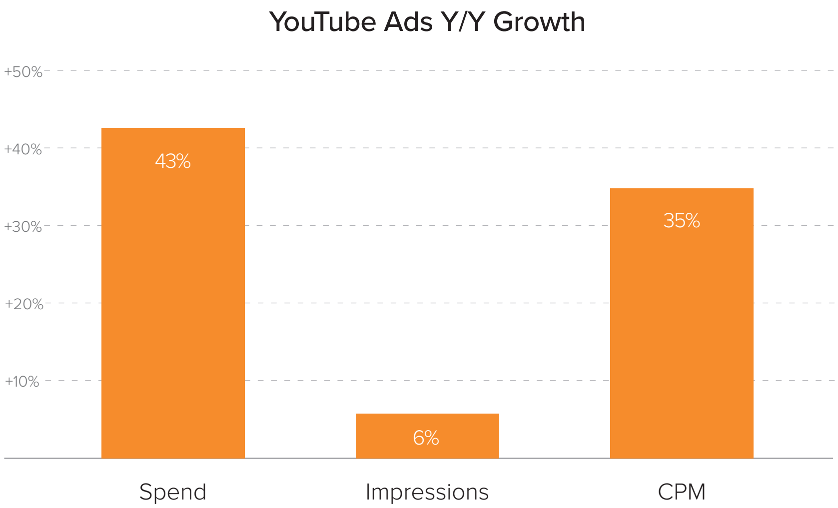
While a majority of Instagram ad clicks are still generated by Instagram feed ads, Instagram Stories ads are having a significant impact on total Instagram volume. In Q4 2019, Stories ads generated 25% of Instagram ad clicks and accounted for 21% of total spending, among brands using the format. The Stories ad format has had less traction to date on Facebook itself.

Social Ad Spending Rises 21% Overall, Traditional Display Up 8%



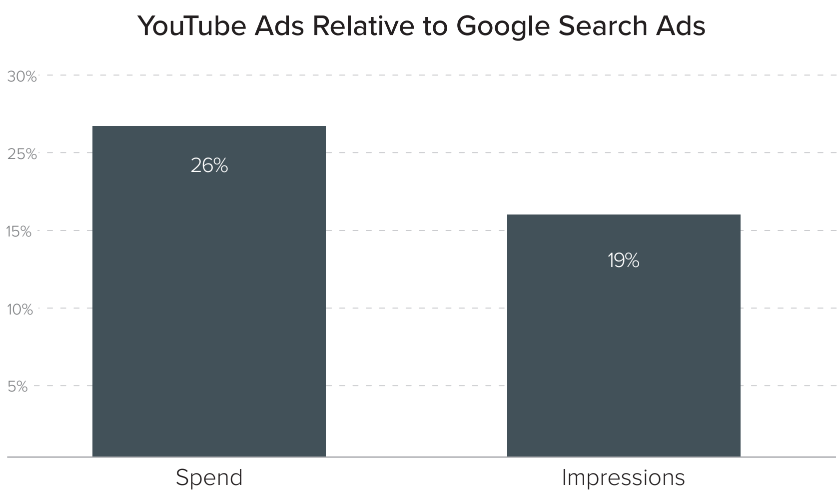
Across all display platforms, including the Google Display Network (GDN) and DV360, display advertising spending grew 8% Y/Y in Q4 2019. Total social media ad spending growth continued to outpace display, coming in at 21% Y/Y in Q4 2019. A year earlier, display spending grew just 2%, while spending on paid social was up 31%.

Investment in YouTube Ads Grows by 43% in Past Year



For brands running each format over the past year, spending growth for YouTube ads continued to outpace that for Google search ads in Q4 2019, with advertisers increasing their YouTube investment by 43% Y/Y. Impressions for YouTube ads grew just 6% Y/Y in Q4 2019, down from 18% growth a quarter earlier, but average CPM increased by 35%.

YouTube Ad Spend is 26% of Google Search Ad Spend for Brands on Both



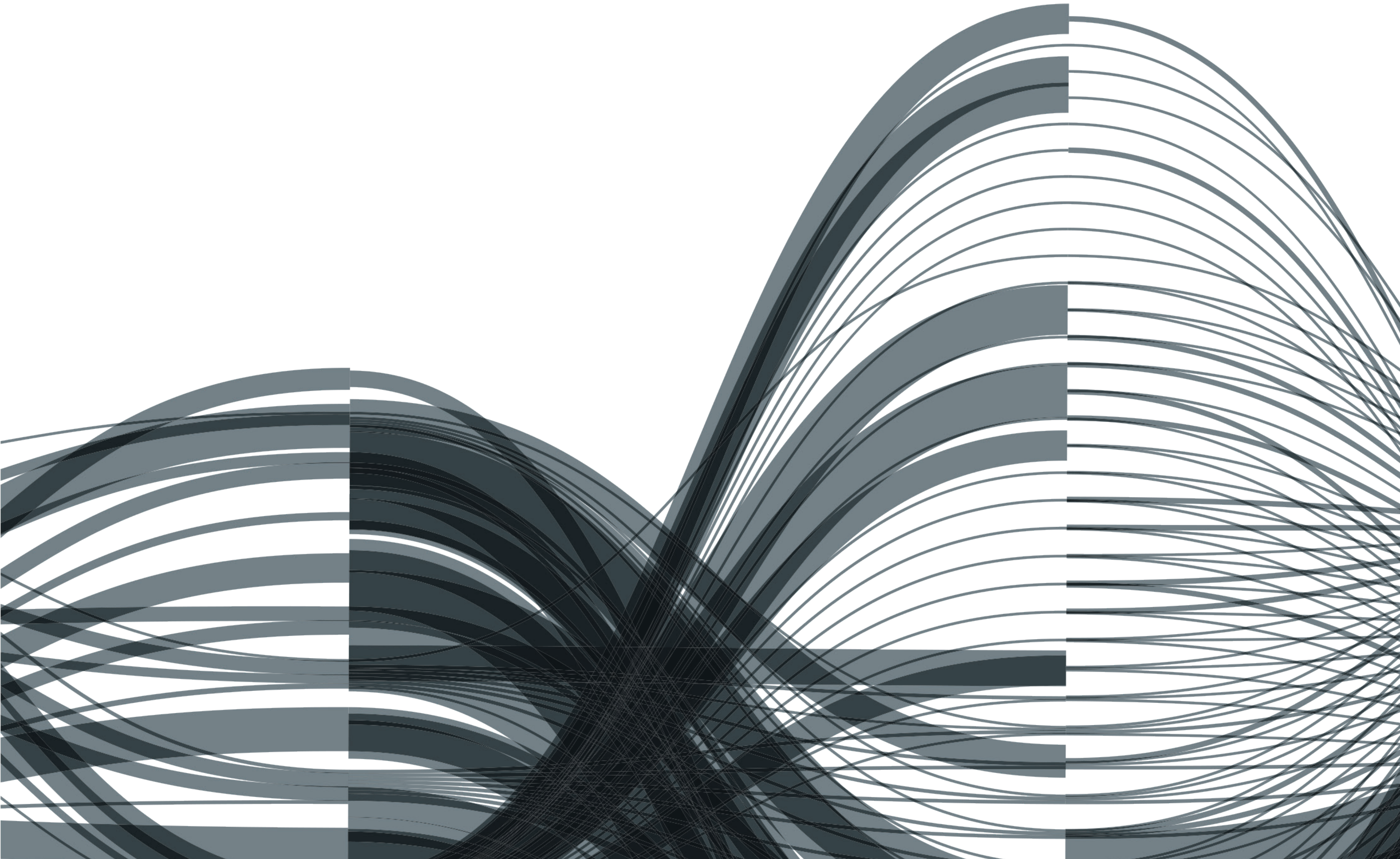
Among brands running both Google search ads and YouTube ads in Q4 2019, YouTube accounted for 26% as much spend as Google search ads. While a comparison of a YouTube ad impression to a Google search ad impression is a bit apples and oranges, in Q4 2019 YouTube accounted for 19% as many impressions as Google search ads, among those same advertisers.

amazon ads

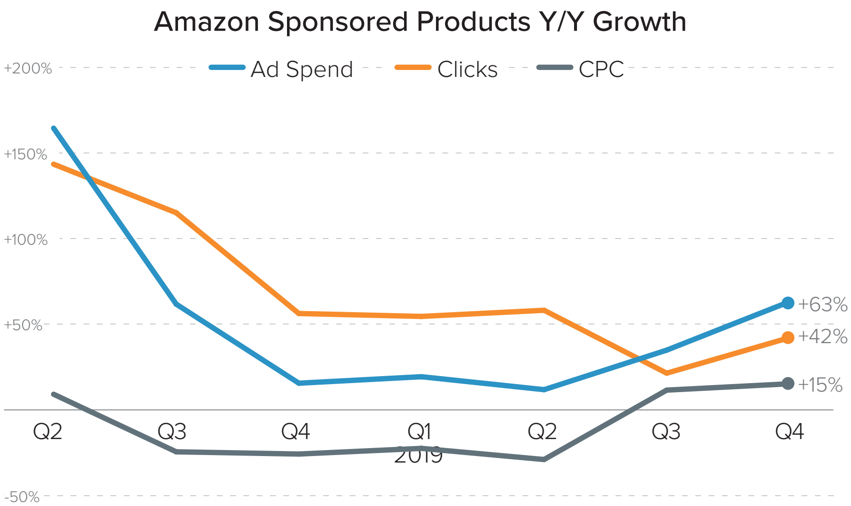
Spending growth for Amazon Sponsored Products ads accelerated to 63% Y/Y in Q4 2019, up from 35% growth in Q3. Spending on Amazon's Sponsored Brands ad format grew 56% Y/Y in Q4, up from 20% growth in Q3.

Across Amazon's Sponsored Ads formats, Sponsored Products ads accounted for nearly 79% of advertiser spend in Q4 2019. As was seen in 2018, Sponsored Brands had a relatively strong fourth quarter, accounting for 18% of Amazon ad spend.

Average ROI for Amazon Sponsored Products ads rose 26% Y/Y in Q4 2019, while ROI for Sponsored Brands ads was 1% higher.

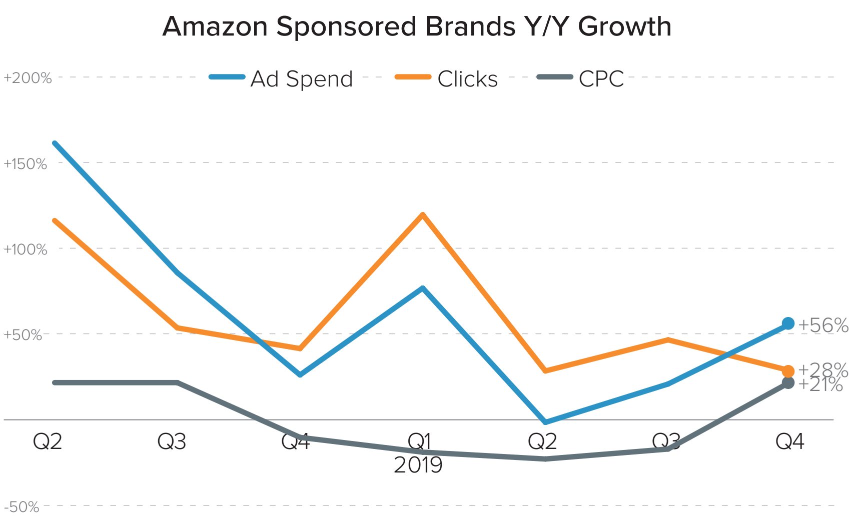


Amazon Sponsored Products Spend Growth and ROI Trending Up



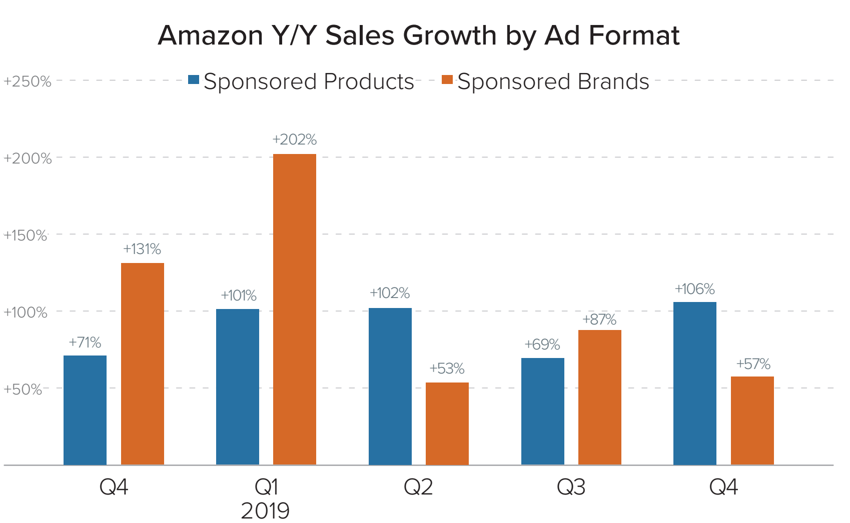
Spending growth for Amazon Sponsored Products ads accelerated to 63% Y/Y in Q4 2019, up from 35% growth in Q3. Click growth accelerated to 42% Y/Y, while CPC growth increased to 15% Y/Y. Spending growth for Sponsored Products had slowed sharply in late 2018 as programs matured and advertisers sought out a higher ROI for the Amazon ad platform. ROI continued to trend up for Sponsored Products in Q4 2019, coming in 26% higher Y/Y.

Sponsored Brands CPCs 21% Higher After a Year of Declines



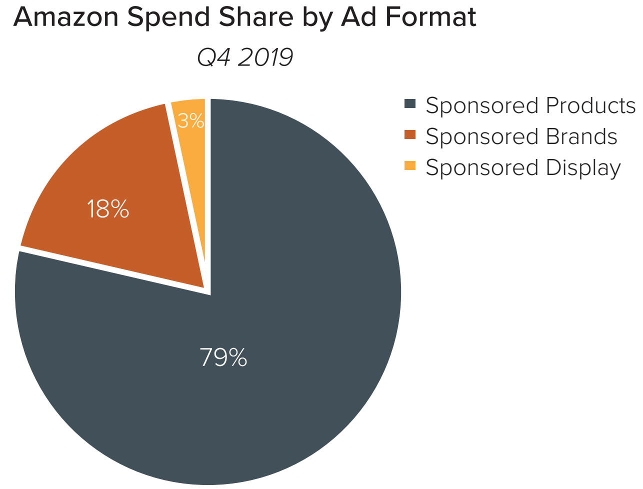
Spending on Amazon's Sponsored Brands ad format grew 56% Y/Y in Q4 2019, up from 20% growth in Q3. As with Sponsored Products, advertisers worked to optimize Sponsored Brands programs for better ROI in late 2018, which depressed spending growth even as sales growth remained robust. Additional inventory also pulled down Sponsored Brands CPCs in late 2018, with Q4 2019 being the first quarter in over a year where CPCs grew Y/Y.

Sales Growth for Sponsored Products Ads Improves to 106%



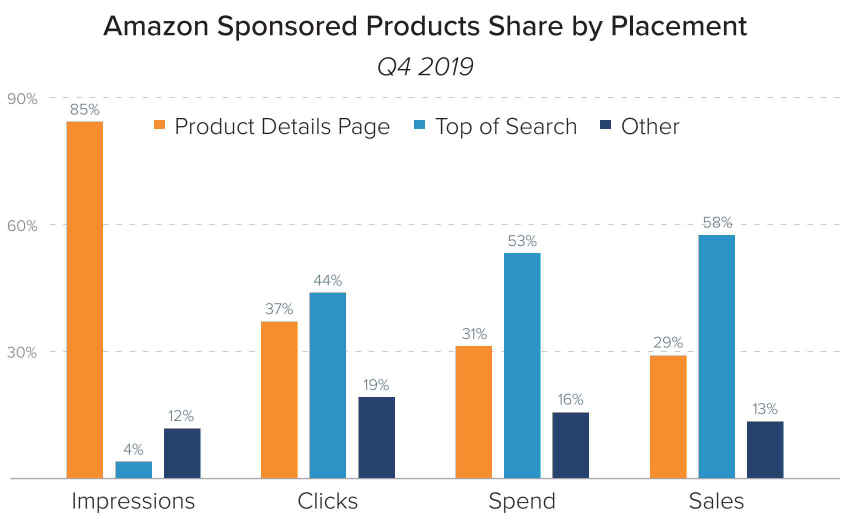
Sales generated by Amazon Sponsored Products ads rose 106% Y/Y in Q4 2019, up from 69% growth a quarter earlier, and significantly outpacing the 63% Y/Y increase in spend advertisers invested in Sponsored Products ads. Sales produced by Sponsored Brands ads rose by 57% Y/Y in Q4 2019, which more narrowly exceeded spending growth for the format, but advertiser ROI still improved.

Sponsored Products Take Bulk of Amazon Ad Investment



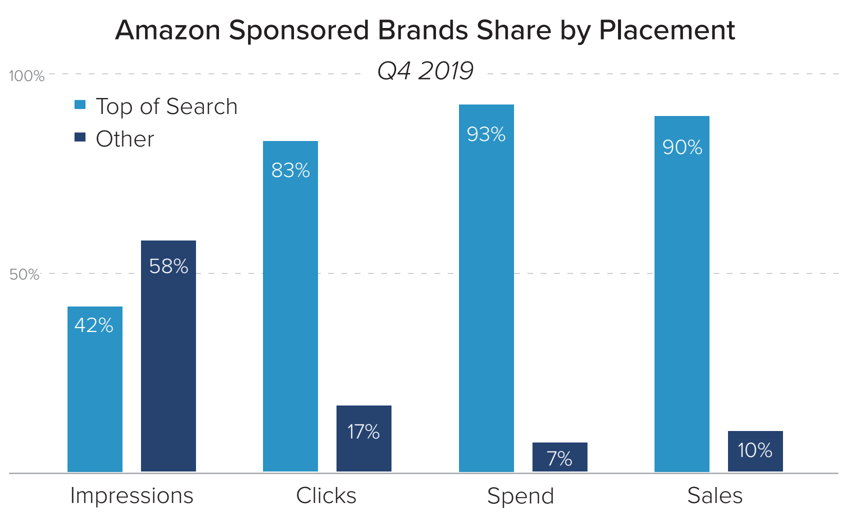
Across Amazon's Sponsored Ads formats, Sponsored Products ads accounted for nearly 79% of advertiser spend in Q4 2019, down from 85% in Q3 2019. As was seen in 2018, Sponsored Brands had a relatively strong fourth quarter, accounting for 18% of Amazon ad spend, up from 9% in Q3. Finally, Sponsored Display ad spend share fell from a little over 5% in Q3 2019 to 3% in Q4 2019.

Top-of-Search Accounting for Larger Share of Sponsored Products Sales



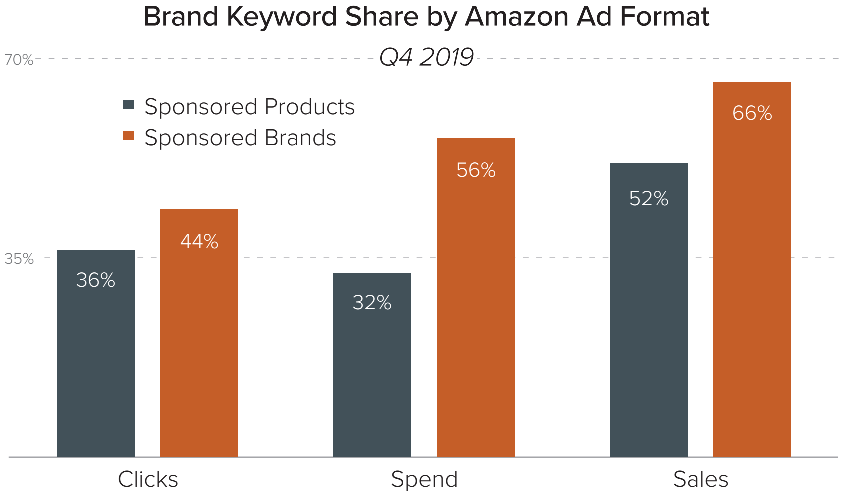
Top-of-search placements for Sponsored Products were particularly important to advertisers in Q4 2019 as they accounted for 53% of advertiser spend on the format and generated 58% of advertiser sales. For comparison, in Q3 2019, top-of-search placements accounted for 49% of spend, while in Q4 2018 they received 39% of spend. Product details pages saw a higher share of impressions in Q4 2019 than in Q3, but generated the same share of sales in Q4 at 29%.

Top-of-Search Listings Generate 90% of Sponsored Brands Sales



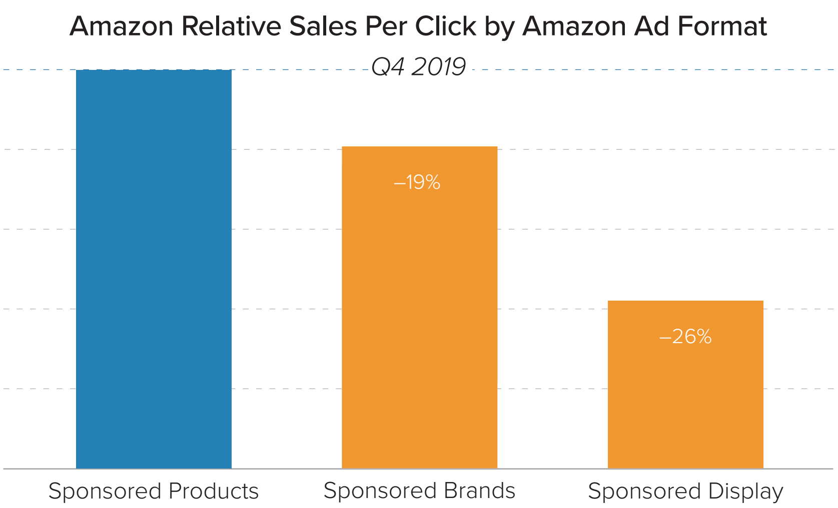
Similar to Sponsored Products, Sponsored Brands ads saw top-of-search placements generate a larger share of their sales in Q4 2019 compared to a quarter earlier. Top-of-search generated 90% of Sponsored Brands sales in Q4, compared to 89% in Q3. Nearly 93% of Sponsored Brands Spend went to top-of-search placements in Q4 2019, compared to 85% in Q3 2019. Other placements saw a small increase in impression share between Q3 and Q4, but lower click, spend, and sales share.

Brand Share of Amazon Ads Clicks and Sales Trending Higher



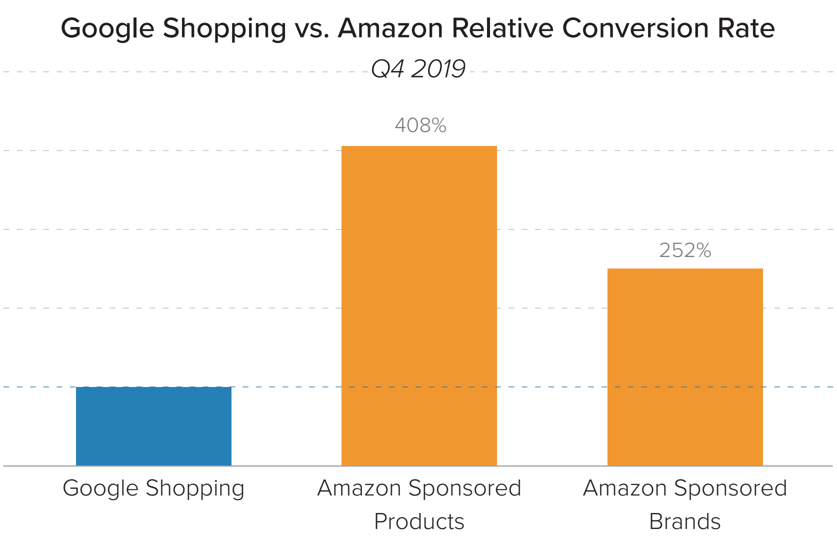
Advertiser brand keywords remained key drivers of traffic and sales for Amazon ads in Q4 2019. For Sponsored Products, brand generated 36% of clicks and 52% of sales in Q4 2019, up from 27% and 47%, respectively, in Q4 2018. As its name implies, the Sponsored Brands format has been even more dependent on brand searches, with brand generating 44% of clicks in Q4 2019, up from 40% a year earlier, and 66% of sales, up from 64% in Q4 2018.

Sponsored Products Continue to Generate Highest Amazon Ad SPC



While Sponsored Products ads continued to outperform other Amazon ad formats in terms of sales per click in Q4 2019, Sponsored Brands ads narrowed the gap between Q3 and Q4. Average sales per click for Sponsored Brands was 19% lower than Sponsored Products in Q4 2019, up from a 26-point deficit in Q3. With Sponsored Display ads taking on new inventory, the format has seen its relative sales per click decline significantly compared to Sponsored Products.

Amazon Sponsored Products See 4X the Conv. Rate of Google Shopping Ads



Compared to advertisers running Google Shopping ads in Q4 2019, those running Amazon Sponsored Products ads saw Sponsored Products produce conversion rates that were four times that of Google's ads. By the same measure, Sponsored Brands conversion rates were 2.5 times that for Google Shopping in the quarter. While many Amazon advertisers also run Google Shopping ads, the overlap is far from total, but these results continue to suggest that user behavior is much more transactional on Amazon.

about merkle

Merkle is a leading data-driven, technology-enabled, global performance marketing agency that specializes in the delivery of unique, personalized customer experiences across platforms and devices. For more than 30 years, Fortune 1000 companies and leading nonprofit organizations have partnered with Merkle to maximize the value of their customer portfolios. The agency's heritage in data, technology, and analytics forms the foundation for its unmatched skills in understanding consumer insights that drive people-based marketing strategies. Its combined strengths in performance media, customer experience, customer relationship management, loyalty, and enterprise marketing technology drive improved marketing results and competitive advantage. With 9,400+ employees, Merkle is headquartered in Columbia, Maryland, with 50+ additional offices throughout the US, EMEA, and APAC. In 2016, the agency joined the Dentsu Aegis Network. For more information, contact Merkle at **1-877-9-Merkle** or visit **www.merkleinc.com**.

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report methodology

Figures are derived from samples of Merkle clients who have worked with Merkle for each marketing channel. Where applicable, these samples are restricted to those clients who 1) have maintained active programs with Merkle for at least 19 months, 2) have not significantly changed their strategic objectives or product offerings, and 3) meet a minimum ad-spend threshold. All trended figures presented in this report represent same-site changes over the given time period. Unless otherwise specified, the data points in this report are derived from the North American market region.