



Adthena

Paid Search Benchmark 2018

Data and insights from the industry's
biggest ever analysis of paid search.

www.adthena.com

Contents Page

1. Executive Summary	3
What is the purpose of this benchmark?	6
2. Methodology	6
3. Key Stats	7
4. Introduction	8
4.1 What is driving growth in paid search?	8
4.2 How are these changes affecting advertisers?	12
5. Ad Spend and Performance	13
5.1 USA	14
5.2 UK	16
5.3 Australia	18
5.4 Key Takeaways	20
5.5 Analysis	20
6. Cost and Competition	21
6.1 USA	22
6.2 UK	24
6.3 Australia	26
6.4 Key Takeaways	28
6.5 Analysis	28
7. Competitive Diversity by Ad Position	29
7.1 USA	29
7.2 Key Takeaways	31
7.3 Analysis	31
8. Top of Page Visibility Cost	32
8.1 US	33
8.2 UK	35
8.3 Australia	37
8.4 Key Takeaways	38
8.5 Analysis	38
9. Final Thoughts	39
9.1 Key Takeaways	39

1. Executive Summary

This report benchmarks ad spend and performance in search, across the broad spectrum of industries and advertisers which invest in search advertising. The benchmark encompasses data from over 140 million paid search ads, 135,000 advertisers, and 5.6 million search terms, as observed by Adthena between January 2017 and May 2018 in the US, UK, and Australia.

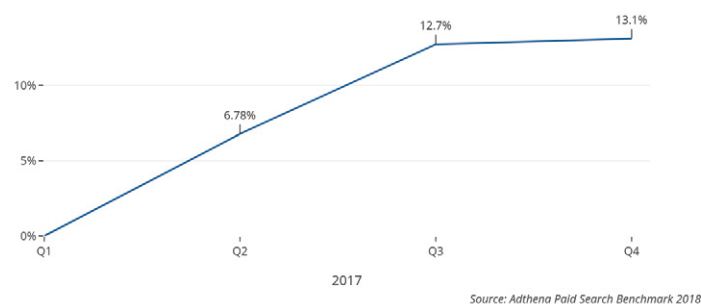
Uniquely the benchmark provides category segmentations of this large volume of search data, which is enabled by Adthena's AI Categorization; proprietary technology powered by Convolutional Neural Networks which categorize millions of search terms into a relevant deep learned search term groups.

The benchmark reveals a number of global search trends, and category specific insights which are summarized below:

The SERP is more competitive than ever

Our research revealed that the SERP has become increasingly more competitive in the last year; that is by a measure of the number of advertisers competing for a first page ad position. As an average across all categories, the number of advertisers competing for a first page ad position increased 13.1% in 2017.

Growth in number of competitors (top 8 ad positions)

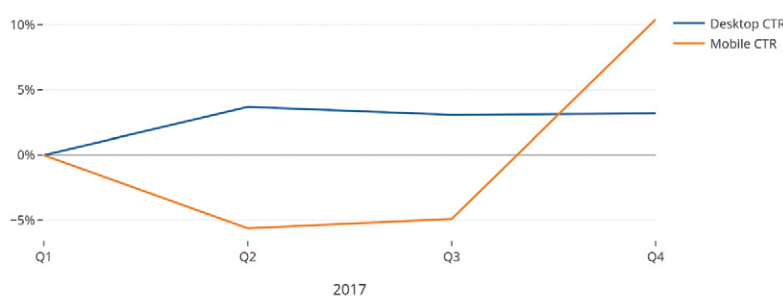


In the US the categories which were the most competitive by this measure were **Finance** and **Travel and Tourism**, with the number of competitors in each of these two categories numbering far in excess of the average in search.

Paid search click-through-rate (CTR) is rising, particularly on mobile devices

Another trend that was identified was that of rising CTRs on paid search ads, especially on mobile. Rising CTRs are a measure of the robustness of paid search, and an indicator that advertisers are continuing to get value from the channel.

Average CTR Change (Aggregated Mobile and Desktop)



Steady growth in global search ad spend

10.4%

YoY increase in
global ad spend

In line with the recently reported YoY growth in search ad spend¹, our research revealed ad spend growth across the three major english speaking markets. In our sample of over 5.5 million search terms, global ad spend increased 10.4% in 2017 (YoY).

"As the SERP becomes ever more competitive, it becomes increasingly challenging for brands to maintain margins and ensure healthy ROAS. Advertisers in search require reliable competitive intelligence that can propel search performance and help shape a brand's digital strategy. A data-driven approach that provides search teams with actionable insights is key, and ensures that ad spend investment drives real results."

Ashley Fletcher, VP Marketing, Adthena

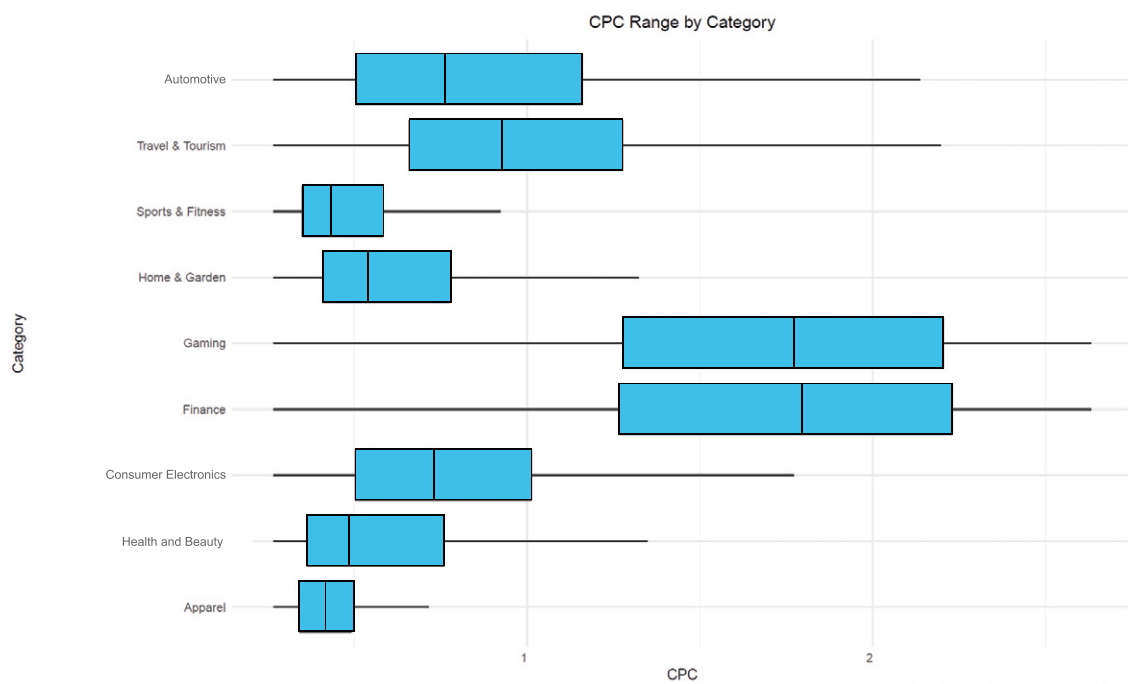
1. ["IAB: Search, the largest category of digital ad spending, generated \\$40.6B in 2017"](#), 10.05.2018

Advertisers shift focus to mobile in high CPC categories

Our study also revealed that especially in high CPC categories, such as Finance or Automotive, advertisers invest less than the search industry average in desktop search. It suggests that advertisers may be looking for better opportunities in mobile search as the competition reaches a point of saturation on desktop. Such advertisers may be able to generate better Return on Ad Spend in with search ads that are optimized for mobile devices.

Opportunity for challenger advertisers in Retail and Travel

The difference in average cost-per-click value in keyword diverse verticals such as retail and travel, between top and bottom-of-page ad positions is less than the industry average. In the UK market especially, there is surprisingly little range in cost-per-click.



These conditions favor challenger brands and disruptors who are often in a position to absorb higher CPCs, and benefit from an increased ad spend investment in order to improve search performance. The flip side of such changes would be a heightened priority among the more established brands to protect existing search presence.

What is the purpose of this benchmark?

The above trends were identified by analysis and segmentation of large volumes of competitive search data, aggregated to track industry average measurements over time. Analysis of search data at this scale allows advertiser to better understand wider trends in search, as well as within specific industries.

A challenge in the search industry is that typically advertisers only have access to a single dataset (their own). Competitive insights allows advertisers to benchmark individual performance against industry, or category averages. For senior decision makers in digital, this intelligence can be used to refine, iterate, and optimize search campaigns.

This benchmark is a big-data study of over a hundred thousand advertisers. It seeks to bring a degree of transparency to category ad spend and performance within search.

2. Methodology

This study explores search ad spend and performance through the lens of Adthena's proprietary data collection. The data in this benchmark encompasses data from over *140 million paid search ads, 135,000 advertisers, and 5.6 million search terms*, as observed by Adthena between January 2017 and May 2018 in the US, UK, and Australia.

Adthena's patented machine learning technology was used to categorize competitive search terms; a convolutional neural network, trained on massive existing datasets was utilized to map a dataset of search terms into relevant deep learned search term groups. These keywords formed the seeds of our data collection.

Typical keywords include branded search terms such as "macbook air" or "nike mercurial vapor", and generic or comparative search terms such as "wireless headphones" or "ski jackets". Pure brand search terms are determined as terms which specifically reference the name of an advertiser brand.

Data was collected daily for text ads on each search term, across US, UK and Australian search, incorporating the top four ads (T4) and bottom four (B4) text ads. An estimated value of clicks was calculated using Adthena's proprietary click-through rate calculations, giving an average proportion of ad spend and clicks by search category, further segmented by device and search term type.

3. Key Stats

The search landscape (Global)

- The SERP today is more competitive than ever. In the last year the **number of advertisers** competing for a first page ad position increased 13.1% YoY in 2017.
- **Aggregate paid clicks** increased 8% Q1, according to Google parent company *Alphabet's 2018 First Quarter Results*, which represented a 59% YoY increase. Concurrent with this, search ad spend reached an all-time high of over \$40 billion.

Industry insights (US)

- In most search categories, there are **more advertisers competing for position 2** ad visibility than position 1. This may be because some advertisers are paying bottom dollar for a prime ad position (section 7.3).
- In high CPC categories especially, such as **Finance** and **Automotive**, there is evidence that advertisers are shifting their focus towards mobile in a bid to improve ROAS from search (section 5.5).
- The **Travel and Tourism** industry appears to be experiencing a boon in **first page SERP click-through-rates**, with the category enjoying +2% CTR than the search industry average, a consequence that may be the result of Google's recent integration of 'Hotel' and 'Flight' price aggregation directly in the SERP (section 6.5).
- In the US the categories which were the most competitive by this measure were **Finance** and **Travel and Tourism**, with the number of competitors in each of these two categories numbering far in excess of the average in search. (section 7.1)

Multi-device insights (US)

- At a category level, there is still quantifiable opportunity to build out **mobile optimized search campaigns**. In **Travel and Tourism** for example, mobile clicks make up 48.6% of all clicks in the category, despite just 35.28% of category ad spend being expended on mobile ads. (section 5.1)
- **Retail advertisers**, as well as **Travel**, appear to have the biggest opportunities currently to capitalize on more clicks per dollar/pound by building out mobile-focused ad campaigns. (section 5.1)

4. Introduction

In an age of “banner blindness”, ad fatigue, and near saturation of consumers’ digital ad experiences, paid search continues to deliver value and ROI for advertisers. At least this has been the talk among many industry insiders over these past months, and there is certainly evidence and data to support this.



59%

YoY increase in aggregate
paid clicks

\$40.6B

US search ad
spend in 2017 (IAB)

49%

Digital ad revenue influenced
by paid search (IAB)

Google’s parent company, Alphabet reported an 8% QoQ increase in aggregate paid clicks in their Q1 2018 First Quarter Results, which also represented a 59% YoY increase on Q1 2017 figures². Increased paid search clicks is a positive signal for both investors and advertisers, who will be reassured by the continued growth of consumer engagement with paid search ads.

A second industry study of upstream click data recently reported that as of February 2018, average paid search CTR (the percentage of all search impressions which result in a paid search click) is at an all-time high of 3.82%³. This is up from 2.59% in Q2 2017, and represents a YoY increase of 1.23% (across billions of consumer searches this is far from an insignificant increase).

There has also been an overall increase in ad spend, according to the IAB, who reported that search US ad spend exceeded \$40.6B in 2017⁴. The increased advertising dollars suggests that many advertisers still see both opportunity and growth potential in the channel.

4.1 What is driving growth in paid search?

There are a number of reasons which may be contributing to sustained YoY growth in paid search ad spend, and broadly speaking they align to Google’s long term strategy to streamline consumer search experiences, and their belief that *“products and services [should be] literally one click away”*⁵.

2. [Alphabet Q1 2018 First Quarter Results](#)

3. “How Google’s Organic & Paid CTRs Have Changed 2015-2018”, [sparktoro.com](#)

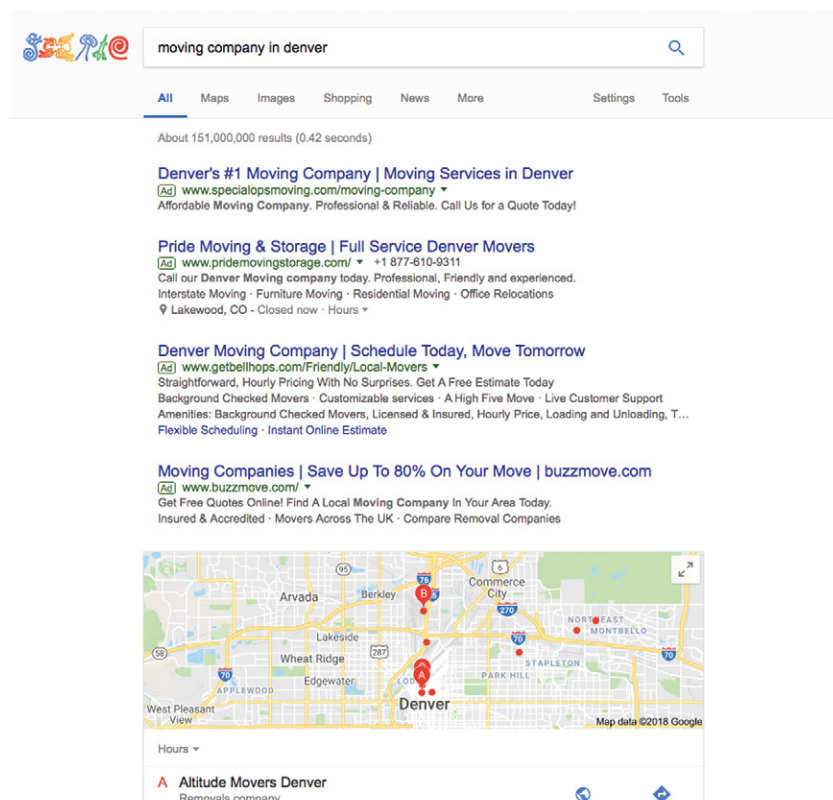
4. [IAB Internet Advertising Revenue Report](#), 10.05.2018

5. [Alphabet 2017 Annual Report](#)

Top-of-page text ad units

As early as December 2015, Google began to test four top-of-page text ad units, and this can be seen to be a key driver in the overall growth of text ad click-throughs over the past two years.

The result of the change has meant that the above-the-fold page area on many search engine results pages (SERPs) is now completely dominated by paid results, pushing the organic results below-the-fold.



Four top-of-page text ad units are now common across many searches. On this page, the Google Maps snippet further subjugates the organic search results.

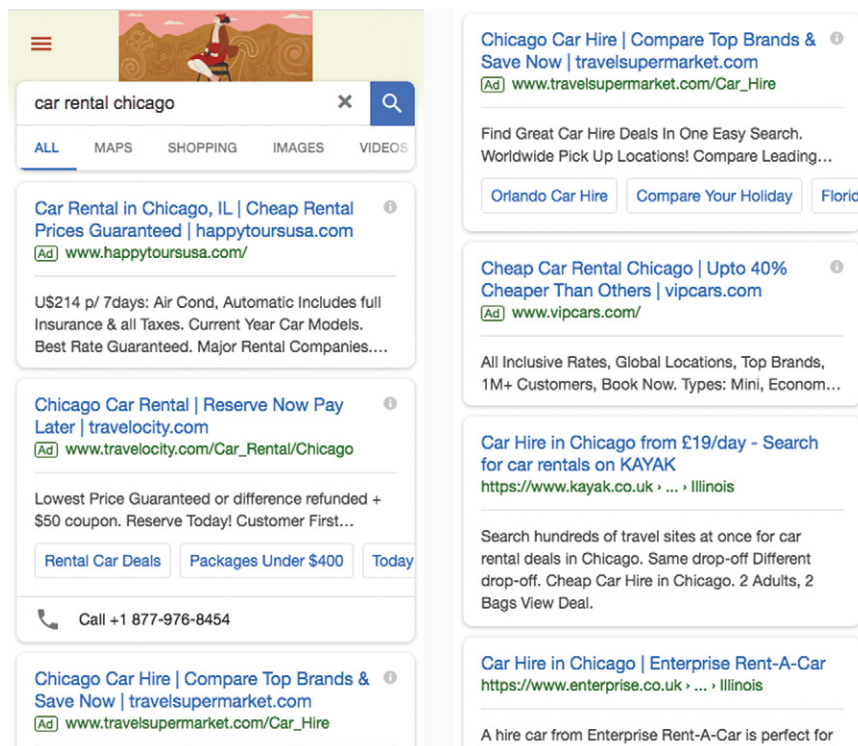
This change is certain to have boosted paid search CTRs at the expense of organic click-throughs.

One trend that may be relevant here, is that the proportion of SERPs that feature four top-of-page text ads may be increasing across the broad diversity of consumer searches. If more generic (non-brand) or long-tail queries are results in three or more prominent text ads, that would likely increase overall paid search CTRs.

Mobile search

Monetization of both text and Google Shopping ads in the mobile search results, has undoubtedly been a huge driver in the sustained growth in global search ad spend. In fact 2017 saw mobile ad spend exceed that of desktop in search for the first time, driving 54% of all ad revenues in search according to the IAB study⁶. In their 2017 annual report, Alphabet explicitly stated that the long term future of Google will “generate advertising revenues increasingly from mobile and newer advertising formats”.

Similarly to desktop search results, mobile results feature four top-of-page text ads, however the limited screen space means that at least two or three gestures are required before users see an organic listing.



The mobile SERPs frequently serve four top-of-page text ads that are largely indiscernible from organic search listings.

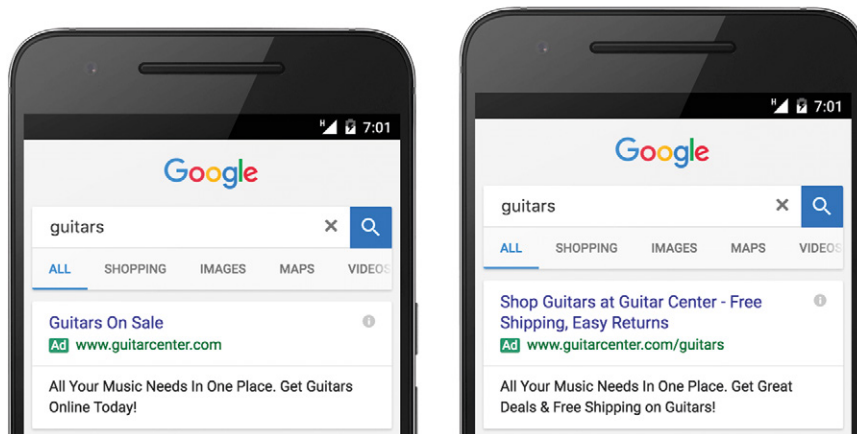
For many results, the green 'Ad' box and grey info button towards the top right of each card are the only things that differentiate the paid listings from organic results. Some paid ads do make use of location or calling extensions which offer users more opportunities to engage.

The fact that ad-blocking software is not commonly available on mobile browsers means that paid text ads on mobile generally perform extremely well. These factors may be behind why mobile CTRs experienced a sustained increase in 2017.

6. IAB: Search, the largest category of digital ad spending, generated \$40.6B in 2017

Expanded text ads

Expanded text ads were first introduced in July 2016, extending the headline number of characters to align more closely with results from the organic listings. It's now common for paid search managers to use the expanded format to introduce a compelling message or hook, for example around current offers or free delivery options.



Expanded text ads align the paid ad format to that of organic search results, and allow advertisers to provide more customised ad experiences to incentivise a user conversion.

Especially on mobile, the overarching strategy of increasing top-of-page text ad prominence while encouraging richer and more informative ads will also be driving paid search growth.

Further automation and improvements to relevance

More recent developments in paid search have been around new techniques which seek to improve the relevance of consumers' ad experiences. More relevant ads increase CTRs as they streamline online user experiences, and get consumers to the answers and products they are seeking faster.

Machine learning techniques are increasingly being used to improve relevance in paid listings. A case in point: as of May 2018, Google has rolled out support for three headlines in ad titles.⁷

7. "Google AdWords new responsive search ads can show 3 headlines", searchengineland.com

Ad group: Select an ad group

Final URL

Display URL: [www.example.com /](#)

Enter multiple headlines and descriptions. They'll be automatically combined into ads that can improve performance.

Headlines

New headline 0 / 30

New headline 0 / 30

New headline 0 / 30

New headline 0 / 30

New headline 0 / 30

ADD HEADLINE

Descriptions

New description 0 / 90

New description 0 / 90

ADD DESCRIPTION

Ad URL options

Preview

Responsive search ads are only available in English. If you're creating an ad in any other language, create a text ad. [Learn more](#)

Headline 1 | Headline 2 | Headline 3

Ad [www.example.com](#)

Description 1, Description 2.

This preview shows potential ads assembled using your assets. Not all combinations are shown, and some shortening may also occur in some formats.

Keep in mind

- Responsive search ads are in beta. Make sure to regularly monitor the performance and status of your ads.
- Assets can be shown in any order, so make sure that they make sense individually or in combination, and don't violate our policies or local laws.
- Non-disclosure reminder: Since this is a beta feature, under the AdWords Terms & Conditions, you may not disclose any non-public information.
- Even after ads are assembled, they may not serve. [Learn more](#)

SAVE NEW AD CANCEL

Adwords now supports three dynamic headlines.
(Source: searchengineland.com)

The change builds on the developments around expanded text ads, and encourages advertisers to think creatively about the headline space. It's also possible that the ads will introduce dynamic A/B testing, saving advertisers from having to manually test new headline CTRs.

4.2 How are these changes affecting advertisers?

Growth in the paid search sector can be a double edged sword for advertisers. Naturally, there will be plenty of opportunity for advertisers to capitalize on improved click-through-rates and greater aggregated click volumes.

However, growth also signals increased competitiveness in the SERP, and the many challenges that accompany such change. Such factors vary by sector, within specific search categories, or may even be specific to individual advertisers. This benchmark seeks to explore what the data can tell us about how such factors are affecting advertisers in search.

5. Ad Spend & Performance

About this benchmark: Ad spend vs share of clicks (by device)

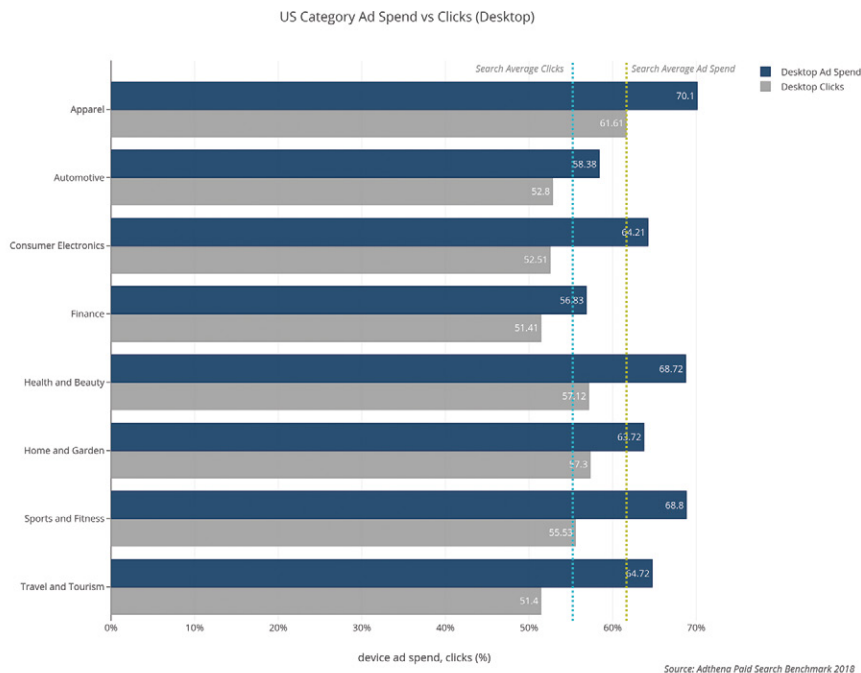
The following comparison contrasts total device ad spend (i.e. desktop vs mobile), with the estimated share of clicks attributed to each device. Cross-category, and industry benchmark, comparison of spend/click ratios reveals which categories are investing more or less into device specific campaigns at an industry level, and potentially where there may be broad opportunity within a category at device level.

Key insights:

- Mobile ad spending returns higher click/spend ratios across the majority of categories in english-speaking territories.
- The notable exceptions are **Gaming (UK)**, **Automotive (AU)** and **Consumer Electronics (AU)**, which maintain higher click/spend ratios on desktop search.
- High CPC categories, such as **Automotive**, **Finance**, and **Gaming (UK)** invest a greater proportion of ad spend in mobile search than other major categories, indicating a shift in ad spend to mobile devices.

5.1 USA: Ad Spend and Performance

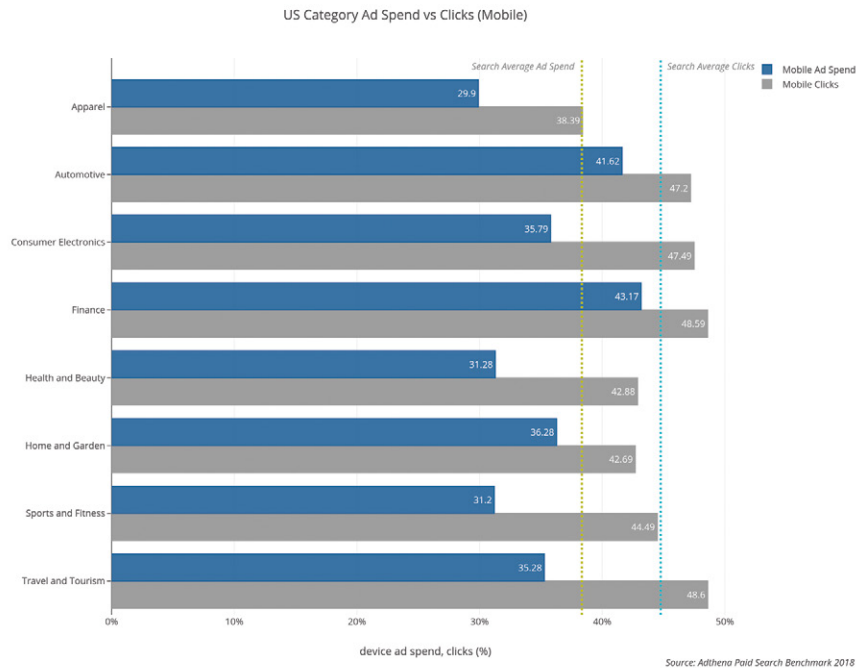
Ad spend vs share of clicks (Desktop)



Notes:

- US retail categories, such as **Apparel**, **Health and Beauty**, **Home and Garden**, and **Sports and Fitness**, all invest above average ad spend in desktop search. Advertisers in this space can expect to receive a proportion of clicks above the search industry average.
- Advertisers in **Travel and Tourism** invest an average 64.72% of their ad spend on desktop, however receive just 51.4% of clicks as a result.
- Advertisers in **Finance** (56.83%) and **Automotive** (58.38%), two categories which are known to have high CPCs, invest less than the industry average ad spend on desktop search.

Ad spend vs share of clicks (Mobile)

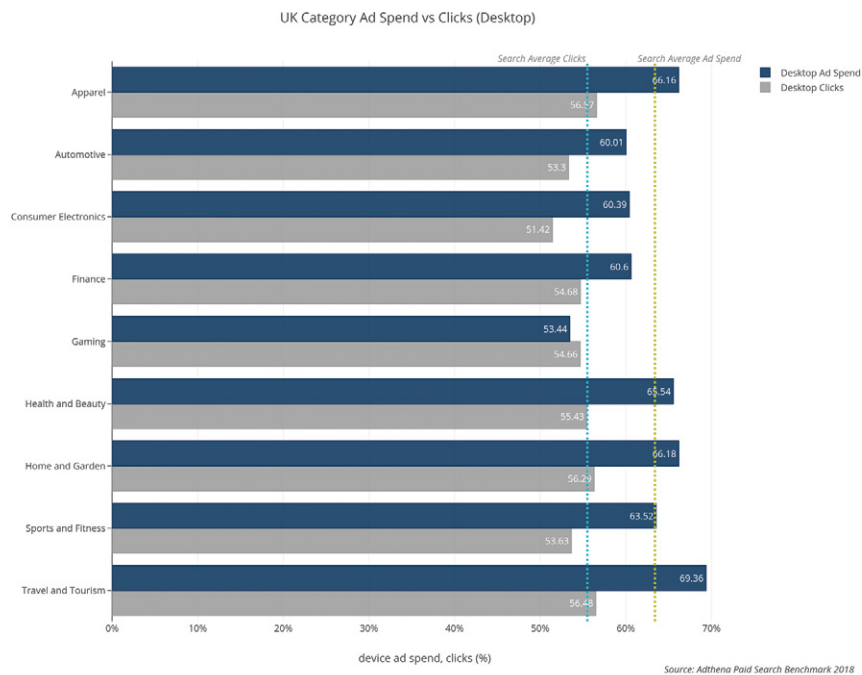


Notes:

- **Automotive** and **Finance**, the two categories which invest above the industry average ad spend on mobile, both receive proportionate click share well above the industry average (47.2%, and 48.59% of device clicks respectively).
- **Travel and Tourism** ad spend on mobile (35.28%), generates 48.6% of clicks in the category, indicating that there may be broad opportunity for travel advertisers in mobile search.
- **Consumer Electronics** returns 47.49% of device clicks on mobile, which is generated from just 35.79% of ad spend.

5.2 UK: Ad Spend and Performance

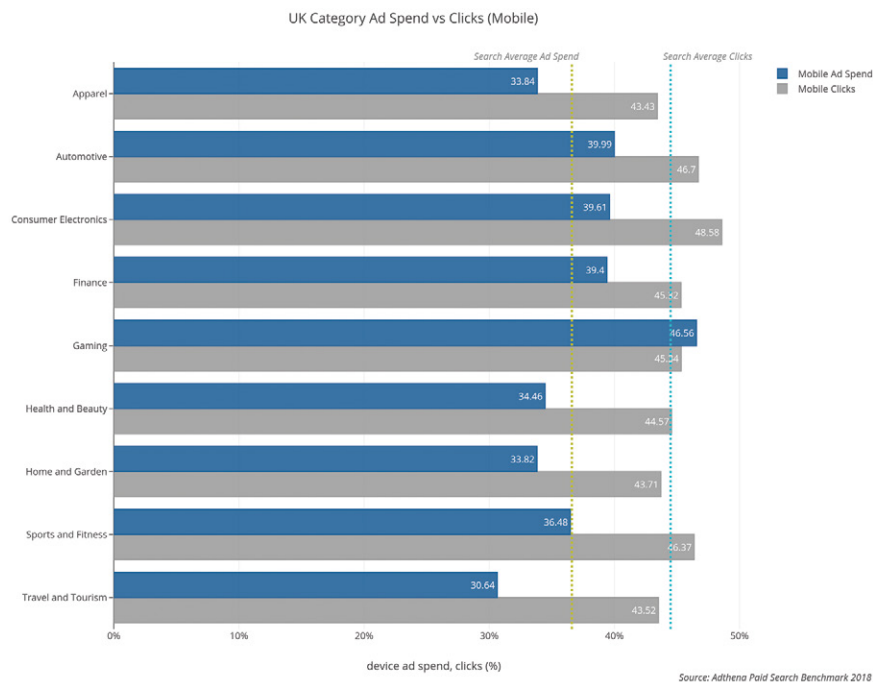
Ad spend vs share of clicks (Desktop)



Notes:

- The majority of categories see greater proportionate ad spend on desktop search. Again it is the retail categories, along with **Travel and Tourism**, that invest more than the search industry average into desktop campaigns.
- **Travel and Tourism** (69.36%) and **Apparel** (66.16%) are the two categories which invest the greatest proportion of ad spend into desktop search.
- **Gaming**, a category with notoriously high CPCs, invests significantly less in desktop ad spend than any other category (53.44%).

Ad spend vs share of clicks (Mobile)

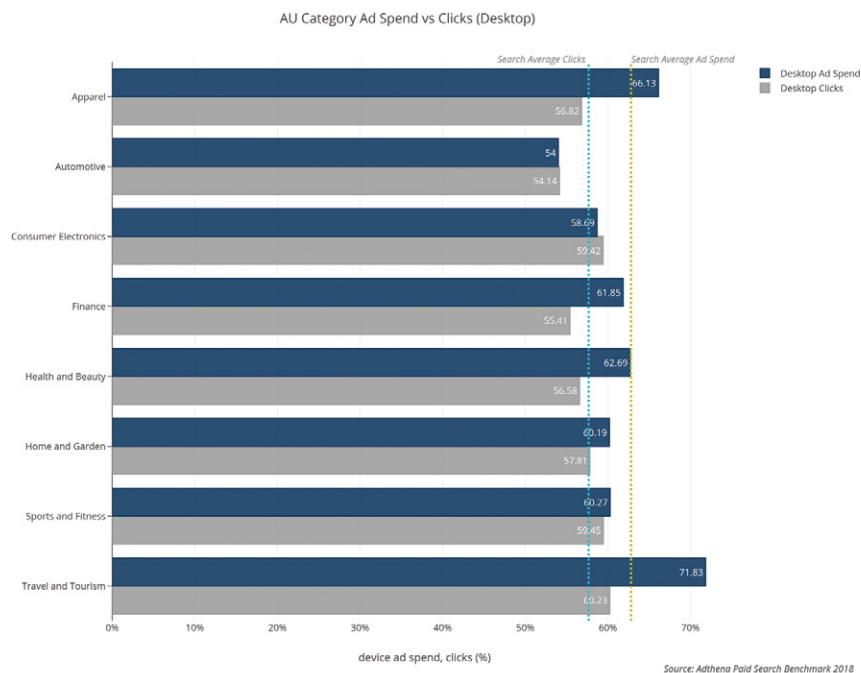


Notes:

- As is the case in the US, advertisers in the UK receive a greater proportionate share of clicks on mobile per unit of ad spend.
- Advertisers in **Gaming** (46.56%) invest well above the industry average ad spend on mobile, and receive a near equivalent share of clicks (45.34%).
- **Apparel** and **Health and Beauty** both have very healthy click/spend ratios on mobile, with 33.84% and 33.82% of ad spend generating 43.43% and 44.57% share of clicks respectively.
- **Travel and Tourism** advertisers in the UK may have broad opportunity to expand their mobile campaigns, as 30.64% of category ad spend currently generates 43.52% of clicks in the category.

5.3 Australia: Ad Spend and Performance

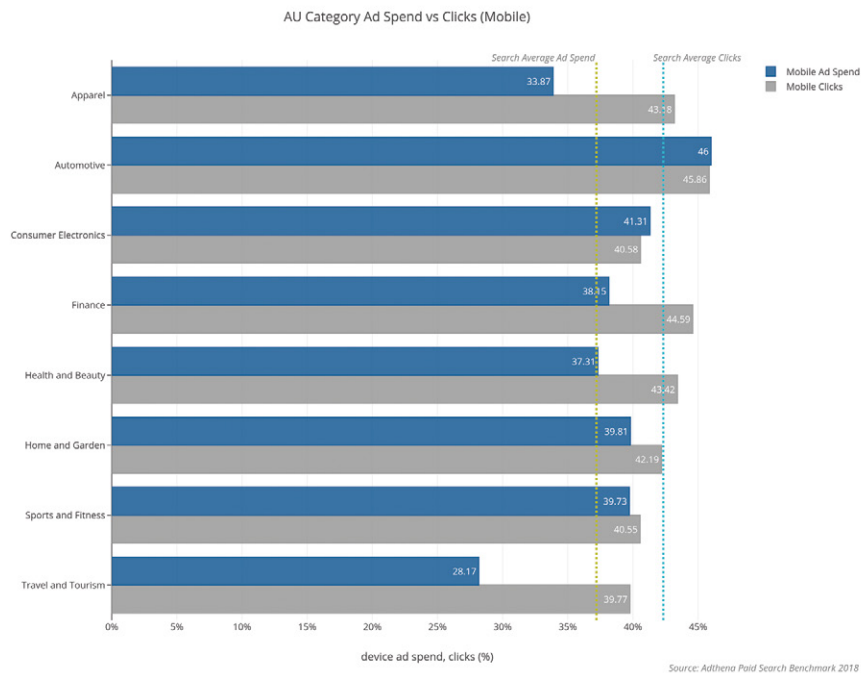
Ad spend vs share of clicks (Desktop)



Notes:

- The Australian search landscape has the smallest discrepancy between **average ad spend** and **average clicks** across all categories.
- **Apparel** (66.13%) and **Travel and Tourism** (71.83%) advertisers invests greater than the industry average on desktop search.
- **Consumer Electronics** generates a higher proportion of clicks (59.42%) from desktop-specific ad spend (58.69%).

Ad spend vs share of clicks (Mobile)



Notes:

- On mobile devices, **Apparel** and **Travel and Tourism** advertisers generate a greater proportion of clicks (43.18% and 39.77%), from a lower proportion of ad spend (33.87% and 28.17%).
- AU advertisers in **Automotive** and **Sports and Fitness** can expect to receive an equivalent proportion of clicks from the ad spend they invest into mobile.

5.4 Key Takeaways

- With the exception of just a few categories, our data suggests that the majority of advertisers are generating **more clicks from less ad spend on mobile devices**.
- There appears to be a trend among high CPC categories, such as **Automotive (US)**, **Finance (US)**, and **Gaming (UK)**, with advertisers investing a lower proportion of ad spend in desktop search.

5.5 Analysis

Strong performance on **mobile share of clicks** across a majority of categories may be due to the factors identified previously in the introduction, namely lower usage of ad-blocking technology on mobile browsers, and the multiple gestures required to scroll beyond the paid listings. This does suggest broad opportunity for advertisers in mobile search to develop mobile-focused campaigns. It may also signal an increased need to defend ad visibility on **pure brand search terms** in the immediate and near future as advertisers in all categories build out mobile campaigns.

High CPCs in categories such as **Automotive (US)** and **Finance (US)** may already be encouraging advertisers to move ad spend from desktop search. In **Gaming (UK)** for example, where desktop CPCs average £8.06⁸, it is no surprise that overall mobile ad spend is nearly equivalent to that of desktop.

The analysis gives rise to a number of remaining questions such as how CPCs and CTRs vary across individual categories, and how pure brand or generic search terms affect performance in specific categories.

Answered in the next section:

How do CPCs and CTRs compare on mobile and desktop?

How does cost and performance vary on pure brand and generic search terms, by device?

8. iGaming Search Industry Report, Adthena 2018

6. Cost and Competition

About this benchmark: CPCs and CTRs (pure brand vs generics, desktop vs mobile)

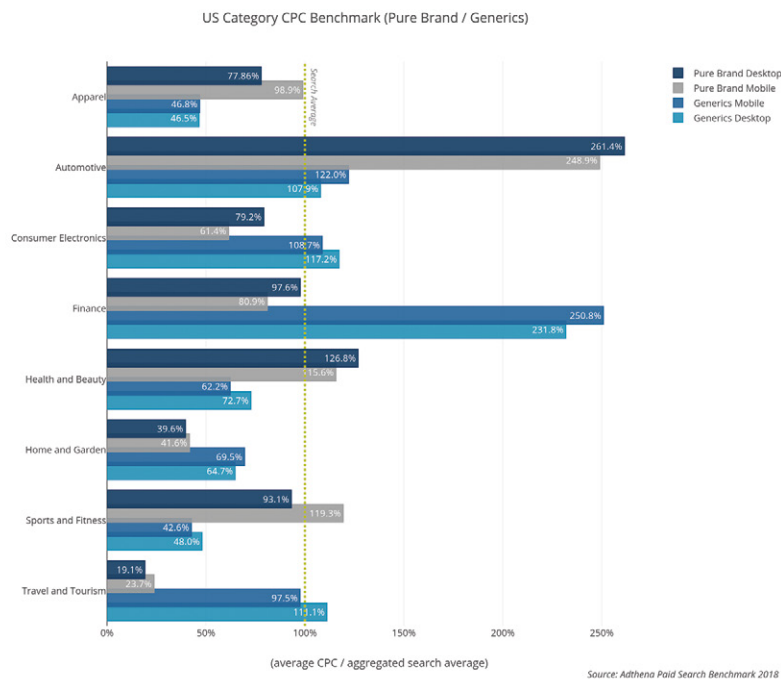
This benchmark compares **average CPC** and **average CTR**, across our nine major search categories. The data is further segmented by **device**, and **pure brand** or **generic** search terms. Where values deviate significantly from the search average (which is calculated as a mean value across all categories in a region) this indicates exceptional cost or competition.

Key insights:

- The category with the highest average CPCs by far is **Finance** which has substantially higher CPCs than the industry average in all three territories.
- **Gaming** which is unique to the UK market, has the highest CPCs of all categories.
- Advertisers in **Travel**, in the UK and AU particularly, may have broad opportunity to benefit from above average CTRs and expand search term coverage on generics.

6.1 USA: Cost and Competition

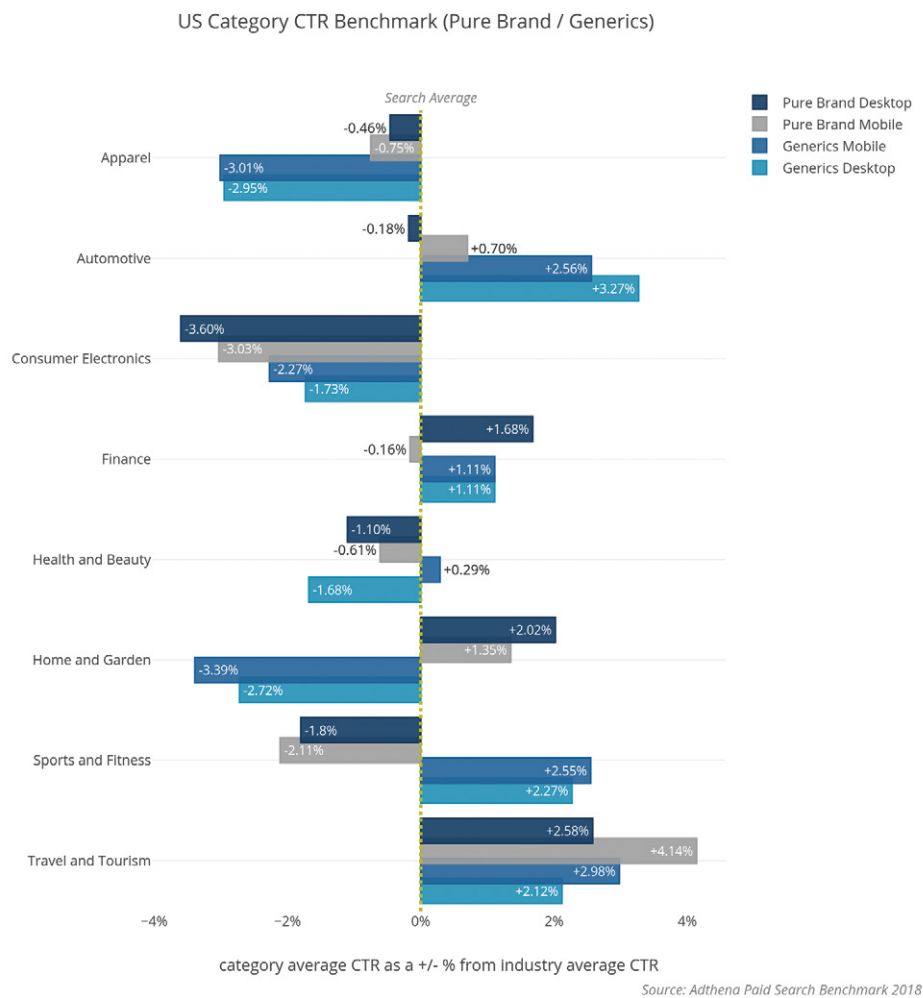
Avg CPC, by device, pure brand / generics



Notes:

- The segments with the highest CPCs are **Finance** (generics) and **Automotive** (pure brand). **Finance** CPCs are also high on pure brand terms, although less so than on generics.
- Average pure brand CPCs exceed generic CPC in **Apparel**, **Health and Beauty**, and **Sport and Fitness**. This can be expected in these categories as manufacturer brand terms drive increased competition.
- Travel and Tourism has comparatively high CPCs on generics. This may conform to lower brand awareness in the sector, and more price-driven intent.
- Pure brand terms do appear to have distinct costs from generic search terms in many categories. Desktop and mobile CPCs however, broadly correlate.

Avg CTR, by device, pure brand / generics

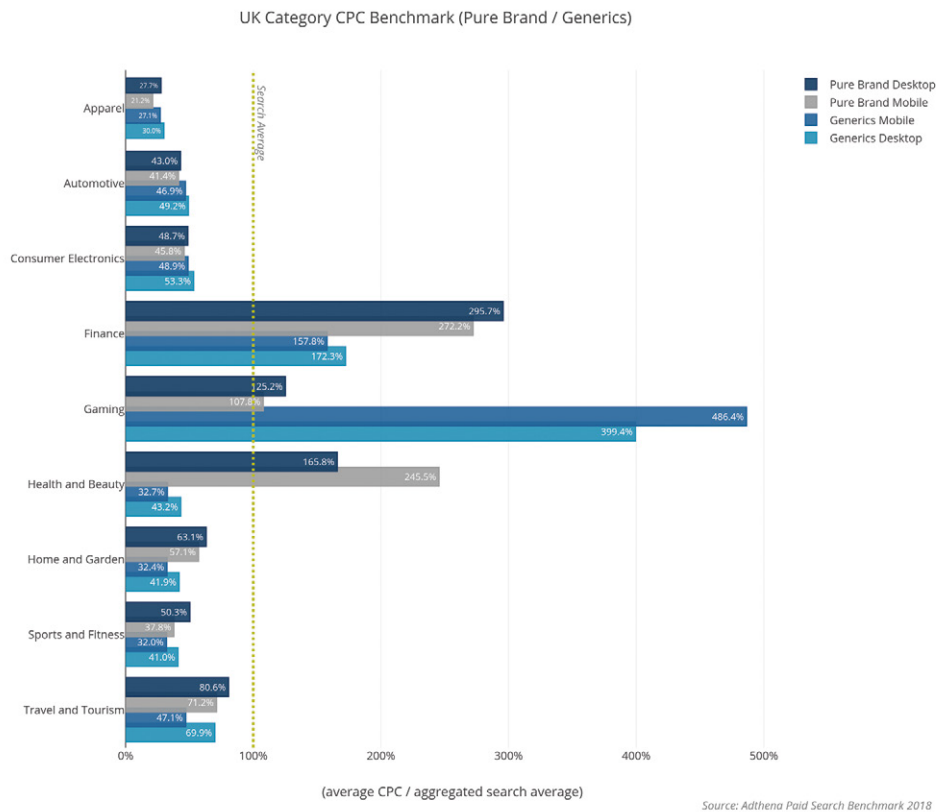


Notes:

- **Travel and Tourism** maintain the healthiest click-through-rates in US search, with average CTRs exceeding the industry average by over 2% in all segments. **Pure brand ads on mobile** perform exceptionally well, with average CTRs over 4.14% higher than the industry average.
- CTRs in **Apparel** and **Consumer Electronics** are below the industry average in all segments. These are large and highly competitive retail categories, and it's possible the level of competitiveness may be exerting downward pressure on overall CTRs.
- The two high CPC categories, **Automotive** and **Finance**, maintain slightly better than average CTRs. Although there may be some opportunity for **Automotive** advertisers to capitalise on the comparatively low average CPCs and higher CTRs on generics.

6.2 UK: Cost and Competition

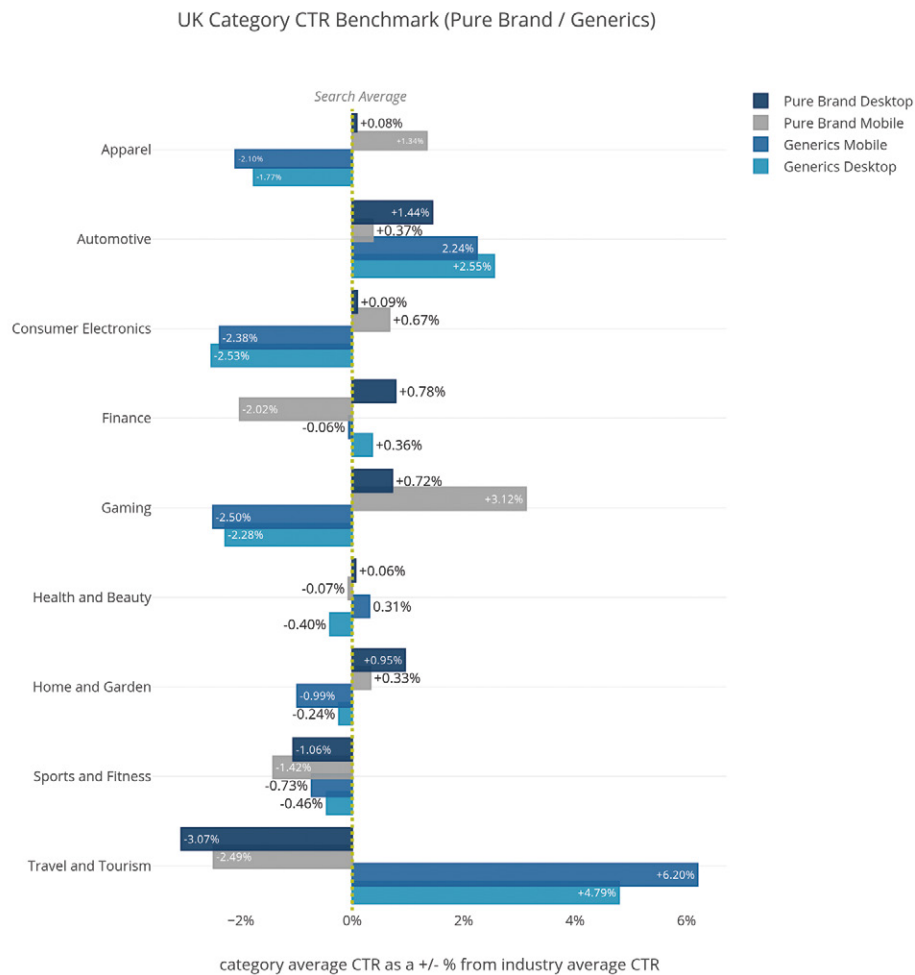
Avg CPC, by device, pure brand / generics



Notes:

- **Gaming** has exceptionally high CPCs on generics. Advertisers in the space can expect to pay 486.4% times the industry average CPC on mobile generics, and 399.4% times the industry average CPCs on desktop generics.
- **Finance** has significantly higher CPCs than the industry average in all segments.
- Pure brand CPCs in **Health and Beauty** are notably higher than average, indicating a higher level of competitiveness on such terms in the category.
- Overall the retail categories, along with **Travel and Tourism** have broadly uniform CPCs that sit below the industry average (with the mean average being driven up by the high CPC categories)

Avg CTR, by device, pure brand / generics

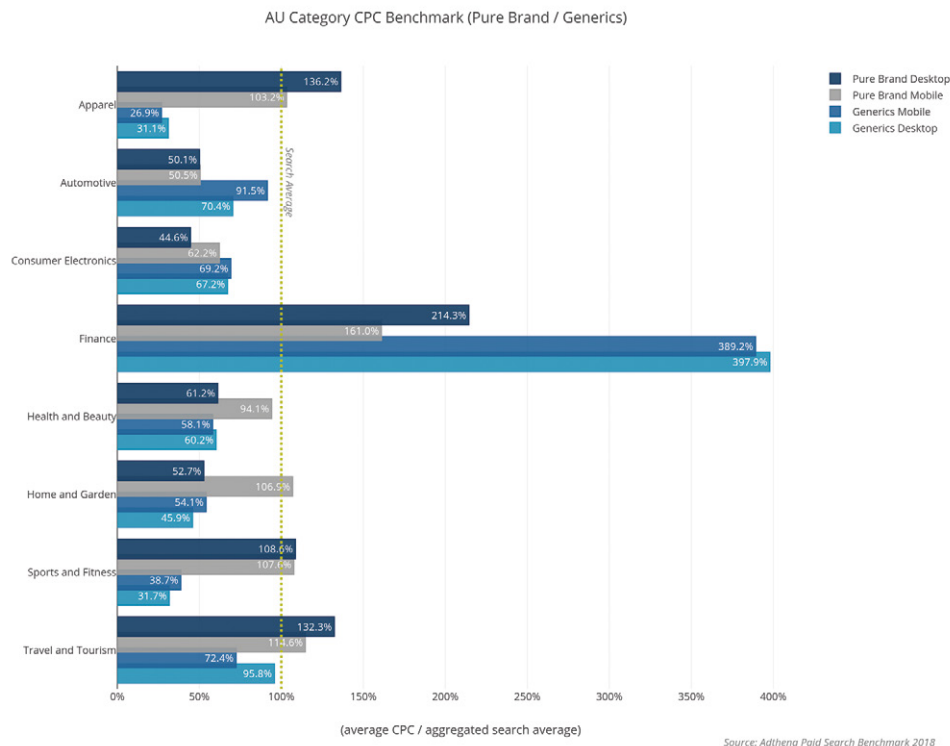


Notes:

- Of all sectors, **Automotive** is the only UK category to have above average CTRs in all segments.
- **Travel** generics have CTRs well above the search average, although pure brand CTRs are below average. This could signal a current opportunity for brands in the sector to capitalize on relatively low CPCs and high CTRs.
- **Apparel** and **Consumer Electronics** experience below average CTRs on generics.

6.3 Australia: Cost and Competition

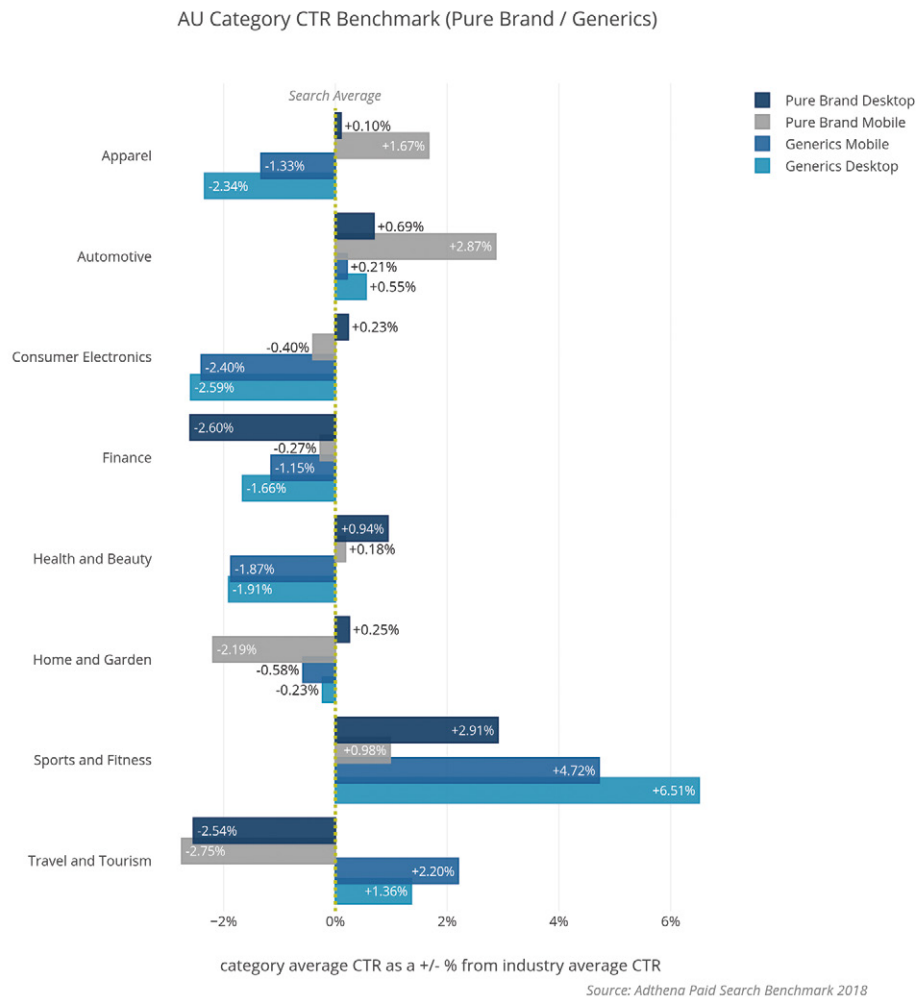
Avg CPC, by device, pure brand / generics



Notes:

- Unsurprisingly, as in other territories, **Finance** commands the highest average CPCs in Australia, well above the search industry average in all segments.
- **Apparel**, **Sports and Fitness**, and **Travel and Tourism** all measure above average CPC on pure brand terms. It may indicate that advertisers in the region place greater value on pure brand search.

Avg CTR, by device



Notes:

- **Automotive**, and particularly **Sports and Fitness** CTRs perform above average in all segments (perhaps proving that Australians are indeed a nation of sports lovers).
- Similarly to the UK, **Travel** advertisers in the region can expect above average CTRs on generic search terms, which may be a opportunity for advertisers experiencing lower CTRs on pure brand search terms.

6.4 Key Takeaways

- A observation across all regions is that pure brand terms do appear to have **distinct costs from generic search terms** across many categories. Desktop and mobile CPCs however, broadly correlate.
- Average CTRs are often disparate, however insights can be found where CTR is well in excess of industry average values, such as is currently the case in the **Travel and Tourism** category in the UK and AU.

6.5 Analysis

It is interesting to note how much pure brand and generic CPCs vary within specific categories, and to a large extent this conforms to general consensus and understanding in the search industry. In retail categories, for example, brand terms may be highly contested by online retailers, and high CPCs in **Health and Beauty (US)** for example, may well be due to CPCs around luxury or designer brands in the category.

Variation in category CTRs likely requires further drill-down to identify deeper trends, as aggregation at this level seems to yield disparate results. However, one interesting observation was how **Travel** CTRs performed well above average on generics in both the UK and Australia. This is a category that is currently undergoing significant development in the SERP, with the rolling out of Hotel Ads in February 2018⁹. Further research is required to determine if this is driving above average CTRs.

Answered in the next section:

What is driving higher CPCs in Finance?

Do higher CPCs indicate the greatest levels of competition? Which are the most “competitive” categories?

9. “Google Adds Hotel Bookings to Search Results”, www.searchenginejournal.com

7. Competitive Diversity by Ad Position

About this benchmark: Number of competitors per ad position (US)

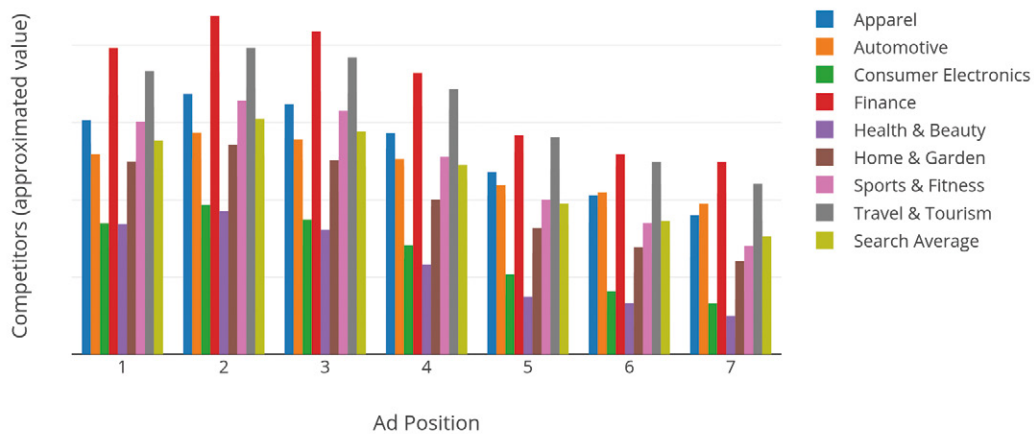
This benchmark ranks the competitiveness of major search categories by a measure of how many advertisers have been observed to advertise on competing ad positions. Where the number of competitors is greater than the search average (which is calculated as a mean value across all categories) this indicates greater competition within a category.

7.1 USA: Competitive Diversity by Ad Position

Key insights:

- **Finance** has the largest diversity in the range and number of competitors that are competing for.
- **Travel and Tourism** follows closely as the second most diverse category by number of advertisers.
- The search position with the **greatest number of competing advertisers** is actually position 2!

Unique competitors per ad position (US)



Source: Adthena Paid Search Benchmark 2018

Notes:

- The spread of **unique competitors** is largely uniform, varying proportionately across the top eight ad positions.
- In any category, **more competitors compete for position 2** ad units than complete for a position 1.
- *(The equivalent trend in both the UK and AU was patently similar, and thus will not be included in this study.)*

7.2 Key Takeaways

- The real surprise here is that **position 1 ad units are not the most contested in search.**
- There appears to be a **drop off** in the number of competing advertisers when ad position > four, however this can be expected due to the increased prominence of the top four ad positions.

7.3 Analysis

A hypothesis for a lower count of competing advertisers at position 1 than position 2 would be that there is less positional ad movement for the primary ad position. It is possible that advertisers who hold high impression share for an ad that regularly appears at position one are seeking to ensure they maintain the maximum ad visibility, and are willing to set higher CPC max bids in order to do so. Over time this would either discourage advertisers from seeking position 1 visibility, or more likely, simply surface their ads at position 2.

If it is indeed the market that has affected competitors per ad position, it may be interesting to look more closely at the average CPC per ad position to see how competitor count influences such costs. If the difference between average CPC between position 1&2 is greater than the difference between position 2&3 this would indicate position 1 does offer less value than position 2 ads.

Answered in the next section:

How does CPC vary per ad position?

Is there significant variation in this metric? Are top-of-page ad units comparatively more expensive in certain verticals than in others?

8. Top of Page Visibility Cost

About this benchmark: CPC per ad position

This benchmark ranks the most competitive categories by a measure of **CPC values for first page ad positions** on the SERP. The CPC / ad position curves form a *reverse sigmoid*¹⁰ pattern, visualizing the higher CPCs for top of page (the top 4, or "T4") ad positions. Where the gradient of a curve is particularly steep, we can discern that these categories require the greatest increase in ad spend to influence a T4 ad position.

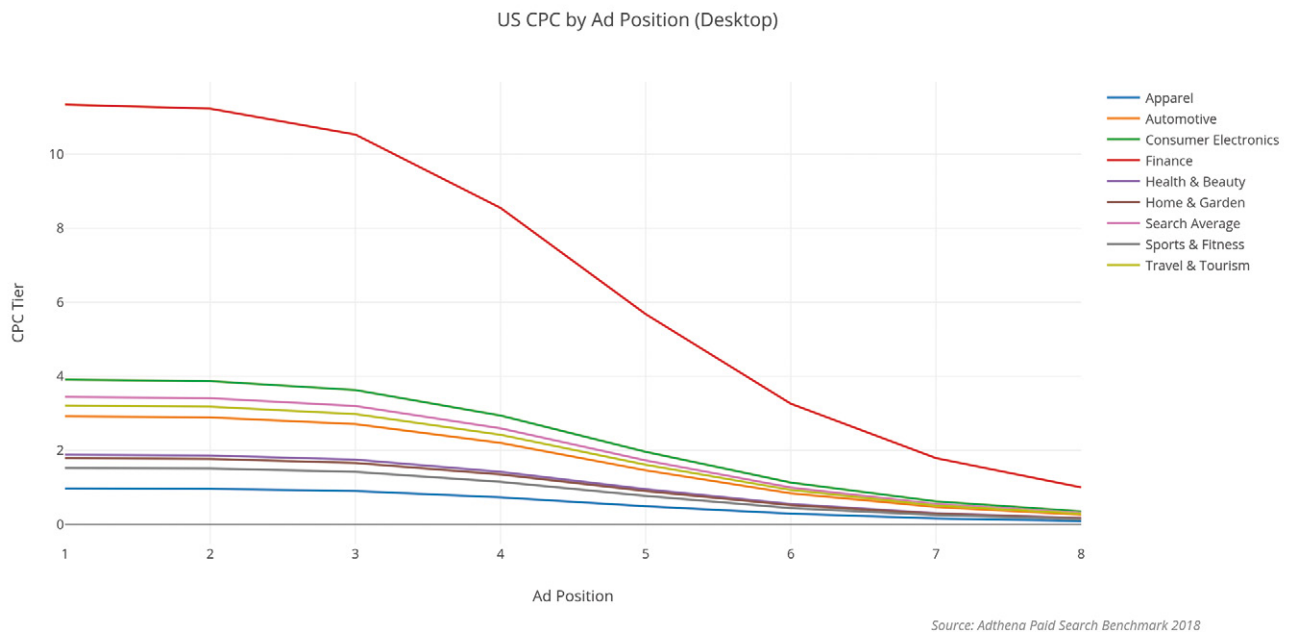
Key insights:

- **Gaming (UK)** can be seen as the most expensive category in search in that it requires the highest CPC cost differential in order to influence a T4 ad position.
- In US search, **Finance** is the category which requires the most spend to influence a T4 ad position.
- In Australia, **Finance** has by far the highest CPC differential between top and bottom of page ad positions. Advertisers seeking position 1 ad visibility in this category can expect to pay four times more than the next most expensive category (**Automotive**).

10. Sigmoid function, en.wikipedia.org

8.1 US: Top of Page Visibility Cost

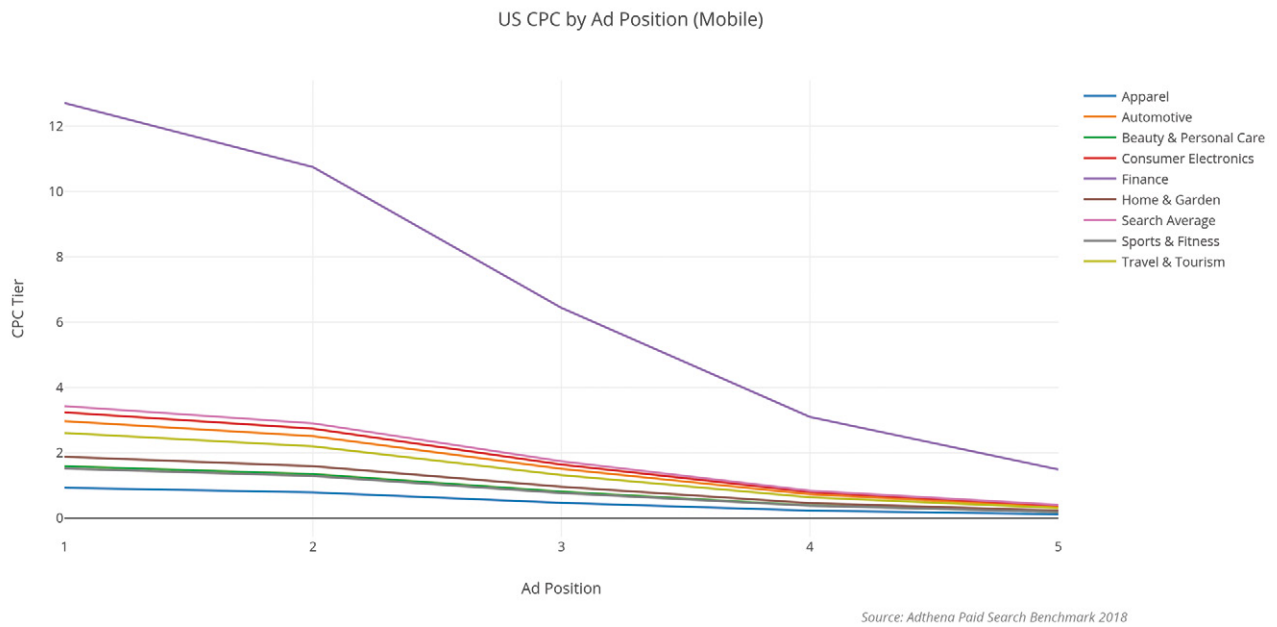
Average CPC per ad position (Desktop)



Notes:

- This visualization clearly identifies **Finance** as the most exceptional category in US search. We can see that while position 8 CPC is not significantly higher than the search average, *position 1* CPC has a cost differential around **three times greater** than the search average. The steep gradient shows how advertisers seeking a top of page ad position must pay CPCs that are proportionately more than any other category.
- Retail categories such as **Apparel**, **Sports and Fitness**, and **Home and Garden** have the gentlest CPC differentials.
- **Automotive**, and **Travel and Tourism** have steeper CPC differentials than retail categories.

Average CPC per ad position (Mobile)

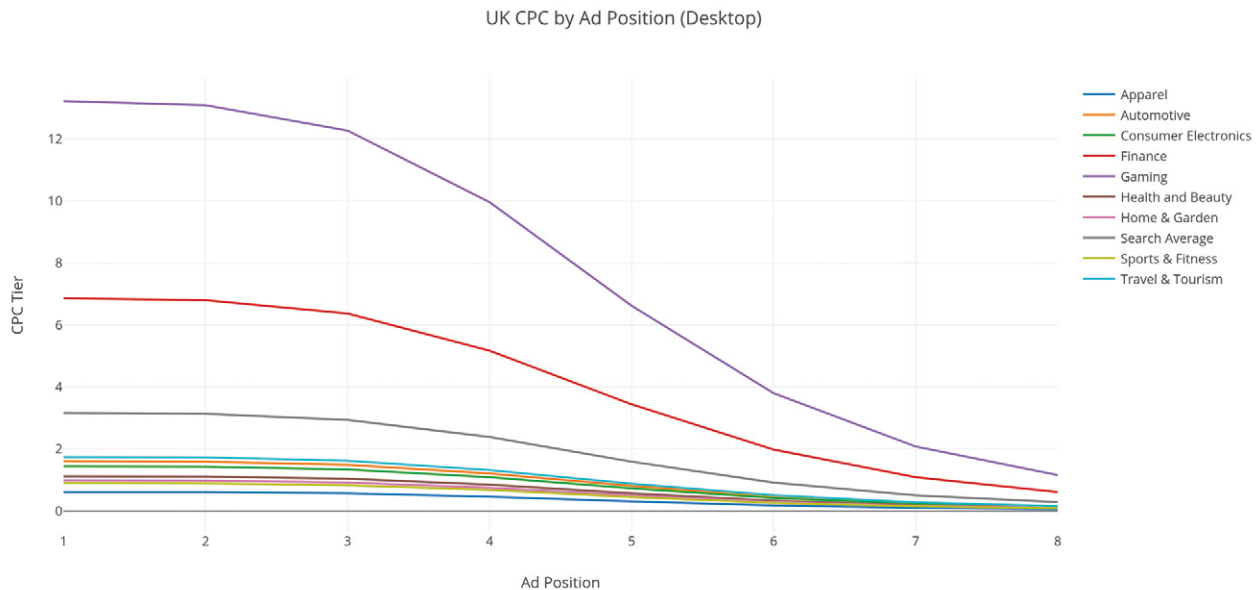


Notes:

- In the mobile search results, once again **Finance** is the only category to have a CPC / ad position curve that is steeper than the mean average across all categories.
- **Apparel** has the gentlest curve on mobile as well as desktop.

8.2 UK: Top of Page Visibility Cost

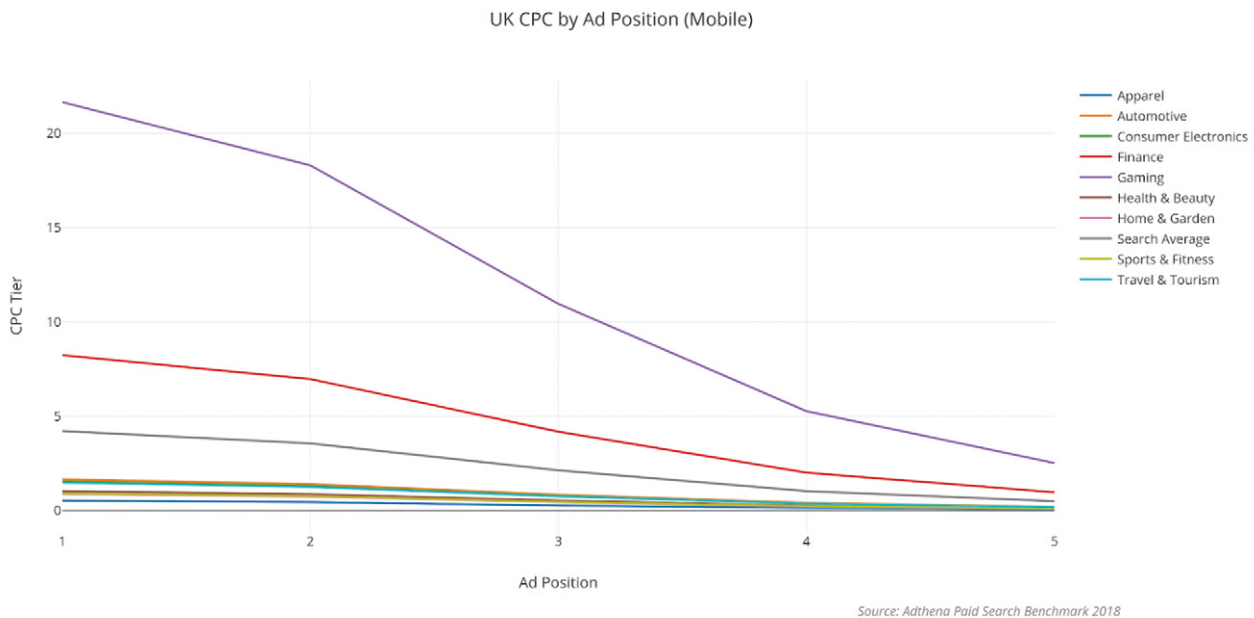
Average CPC per ad position (Desktop)



Notes:

- In the UK, **Gaming** is the only category to exceed **Finance** in the steepness of cost-per-click cost differential across first page ad positions. Advertisers in Gaming can expect to pay twice that of advertisers in Finance for a *position 1* ad placement.
- Similarly to the US, retail categories have the gentlest CPC/ad position curves. **Automotive** and **Travel and Tourism** require a greater CPC investment to influence a T4 ad position at a category level.

Average CPC per ad position (Mobile)

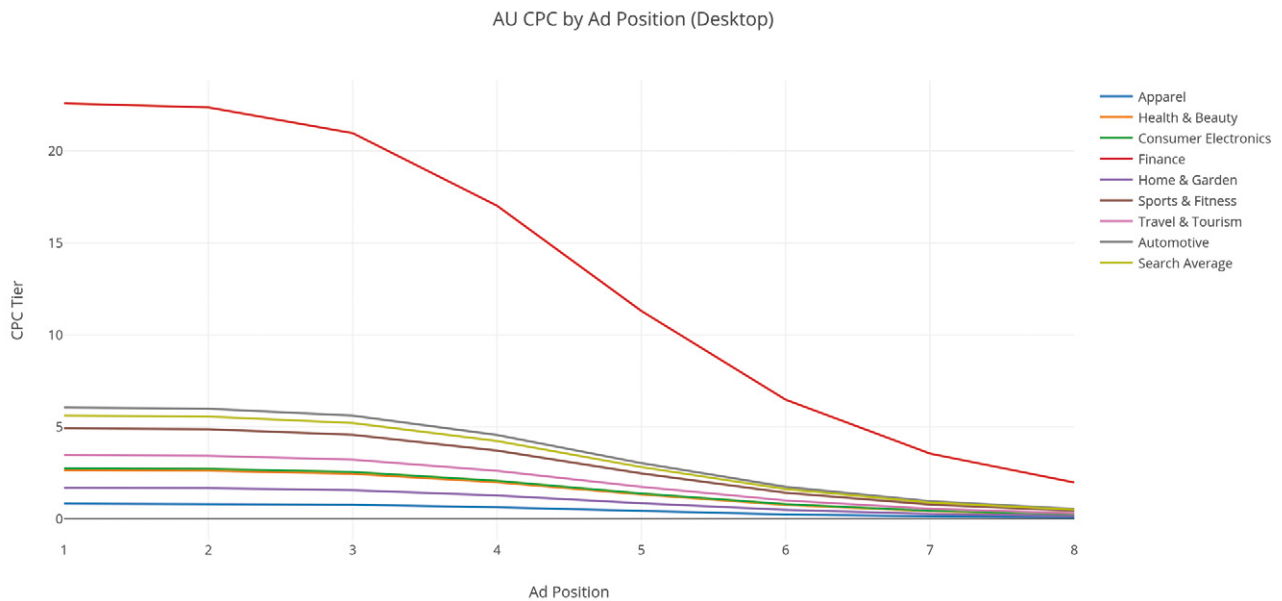


Notes:

- On mobile devices, **Finance** and **Gaming** exhibit strong indication that a larger CPC bid will be necessary to influence a T4 ad position.
- The retail categories however, which include **Apparel**, **Consumer Electronics**, **Health and Beauty** and **Home and Garden** have gentler curves, indicating that top-of-page mobile ads are not significantly more expensive in these categories.
- **Automotive** and **Travel** also exhibit relatively gentle curves in comparison to both desktop, and equivalent category CPC in the US.

8.3 Australia: Top of Page Visibility Cost

Average CPC per ad position (AU)



Notes:

- **Finance**, unsurprisingly, has the steepest CPC curve however the CPC cost spread is more dispersed in Australia than in the other two regions.
- **Automotive**, **Sports and Fitness** and **Travel and Tourism** are relatively expensive in comparison to other categories (as opposed to the US/UK).
- **Apparel** remains the category with the gentlest curve, in line with category CPC / ad spend in the US/UK.

8.4 Key Takeaways

- These visualizations express how high CPC categories such as **Finance**, **Gaming (UK)**, or **Automotive**, advertisers need to pay even more for a top-of-page ad position.
- This gives advertisers **added incentive to test new channels** and campaigns in order to improve ROAS, and may explain the evident shift in focus towards mobile (as covered in section 5.5)
- Retail categories, and in particular **Apparel** have low CPC curves, which could mean that certain advertisers have an opportunity to improve search performance with a reasonable injection of ad spend.

8.5 Analysis

It is well established that **Finance** (and **Gaming** in the UK) are the highest CPC categories, however these visualizations further illustrate how 'top heavy' these categories are. It shows us that advertisers in these categories who are seeking top-of-page search prominence need to pay even greater proportionate ad spend to win a top four result.

On the other end of the scale, retail categories such as **Apparel** indicate that ad spend is less of a limiting factor for advertisers who wish to gain a share of top-of-page ad visibility. All other things (or ranking factors) being equal, retailers may have an opportunity to inject a degree of additional ad spend into their campaigns for a considerable increase in clicks. Conducting gap analysis and leveraging competitive intelligence to better understand competitor ad performance could be the key to unlocking these kinds of opportunities.

Answered in the next section:

How can competitive intelligence inform strategic decision making?

What are the next steps for advertisers?

9. Final Thoughts

Benchmarking and analysis of search data at scale is a valuable exercise as it can reveal and help to quantify the bigger trends in search. It also enables advertisers compare their own performance metrics to search or category averages.

Such analysis is vital for advertisers in the major search categories, as the state of search today is such that ad expenditure alone is no guarantee for success. Instead it is those who are able to execute the most competitive strategies and tactics that will be able to win in their space.

Competitive intelligence can inform strategic decision making, whilst also helping to identify insights and tactics that will work at a more granular level, improving the effectiveness of campaigns, and ensuring that advertisers can maintain an optimal ROAS.

9.1 Key Takeaways

A key theme of this report has been the extent to which competitiveness in the search landscape is affecting advertisers. The future will undoubtedly see further changes in the search landscape, and advertisers will need to rise to challenges around big data, personalization, and ever more streamlined ad experiences.

For advertisers who depend on search, Adthena recommends three key takeaways:

- Investigate the value of **competitive intelligence**. Understand your competitors, and learn how competitive insights can be used to gain an advantage in search.
- **Leverage machine learning** to scale, test and optimize your ad campaigns. Improve the relevance and personalization of search ads for your customers.
- Get more value from your search campaigns. Map out **gaps and opportunities** for market growth, and **monitor and protect** your existing presence in search.



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