

US ONLINE ADVERTISING REPORT

Q2 2011

■ A report by digital marketing technology firm IgnitionOne.

## EXECUTIVE SUMMARY

US online advertising spend showed a strong second quarter across all channels, despite continuing uncertainties about the economy and higher gasoline prices.

IgnitionOne's survey of digital media showed increases in year-over-year (YOY) spend across all three major online media channels (Paid Search, Display and Facebook), with Facebook advertising particularly strong. Google was again the standout performer, showing gains in YOY search spend and significant market share traction for its AdEx display platform.

### ■ PAID SEARCH ADVERTISING SEES STEADY GROWTH YOY

US paid search spend grew a steady 12% YOY in Q2, and was flat quarter-over-quarter compared with Q1 growth. The quarter began strong, but dipped sharply in June to nearly flat growth on a YOY basis. While this decline did not have a significant impact on the quarter overall, it could be an indicator of future months' performance. Expectations for Q3 are cautiously optimistic.

### ■ GOOGLE COMMANDS MAJORITY OF MARKET SHARE IN SEARCH AND DISPLAY

Google grew to 81% share of all US search advertising spend in Q2, compared to Yahoo/Bing at 19% share. Google also saw dominating growth in other key search metrics, including impressions, clicks, click-through rate (CTR) and effective CPM (eCPM). Google's AdEx commands 51% share of US Real Time Bidding (RTB) display spend, compared to Yahoo!'s Right Media at 49% share. This marks a significant jump in Google's market share in display YOY.

### ■ FACEBOOK SEES DRAMATIC GROWTH FROM NEW ADVERTISERS

Facebook advertising spend is up 22% YOY on a same-client-basis, with impressions up 11%. However, Facebook advertising has experienced high rates of growth due to new marketer adoption in the past year, which contributed to a 280% increase in spend across all clients and 200% increase in impressions YOY. Spending patterns within an advertiser's campaign lifecycle show marked growth declines after the first few months, suggesting advertisers are still in a "test and learn" phase with the new and immature ad platform.

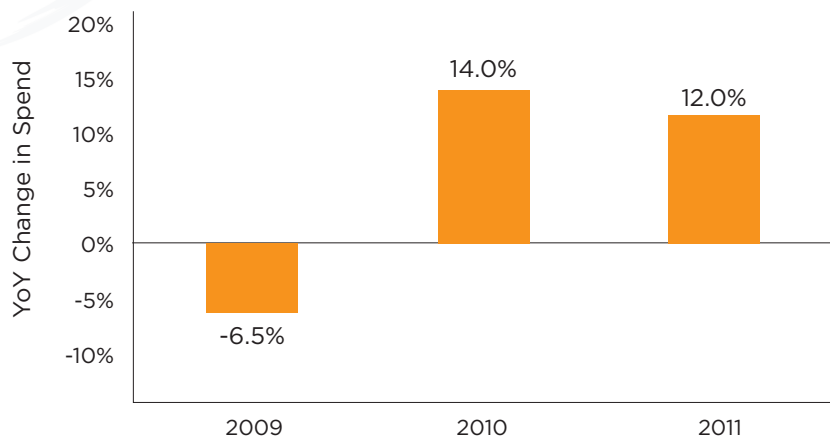
## PAID SEARCH MARKETING

### PAID SEARCH ADVERTISING SEES MODEST GROWTH

US paid search spend grew 12% YOY in Q2 2011 and remained flat quarter-over-quarter.

Spending decelerated throughout the quarter, with June showing nearly flat growth on a YOY basis. While this declining growth did not have a significant impact on the quarter overall, it could be an indicator for Q3 performance.

**Second Quarter YoY Search Spend Growth**



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### RETAIL SPEND UP

Search spend among retailers was particularly strong, growing by 34.7%, while the travel sector was down YOY -7.5%.

**YoY Spend Growth by Vertical**



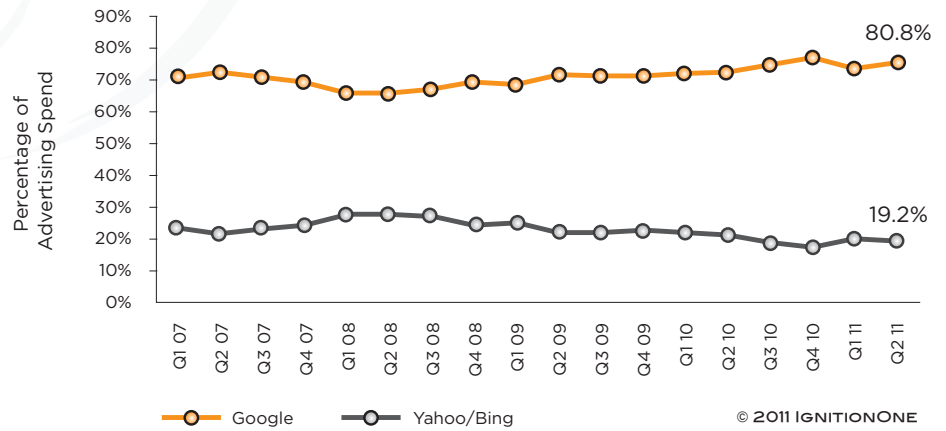
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### YAHOO/BING STRUGGLES TO KEEP PACE WITH GOOGLE

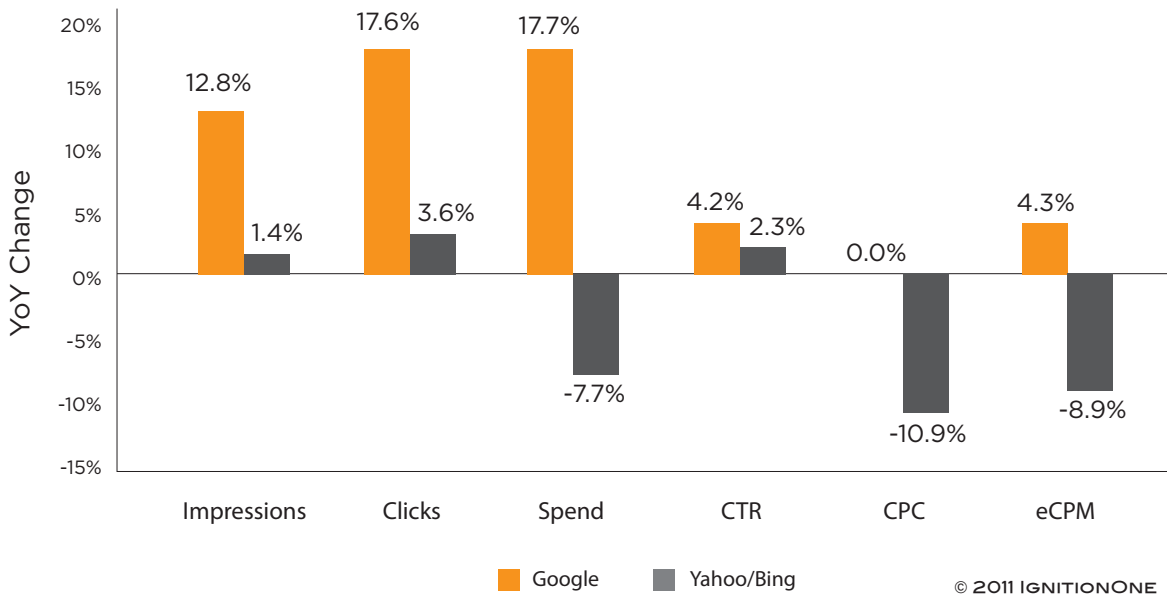
The combined Yahoo/Bing struggled to keep pace with Google, falling quarter-over-quarter to 19% share of all US search advertising spend (from 20% in Q1), while Google held an 81% market share.

The combined Yahoo/Bing also saw declines in other key metrics, with cost-per-click (CPC) down -11% and effective CPM (eCPM) down -9% year-over-year.

Quarterly Percentage of Advertising Spend by Engine



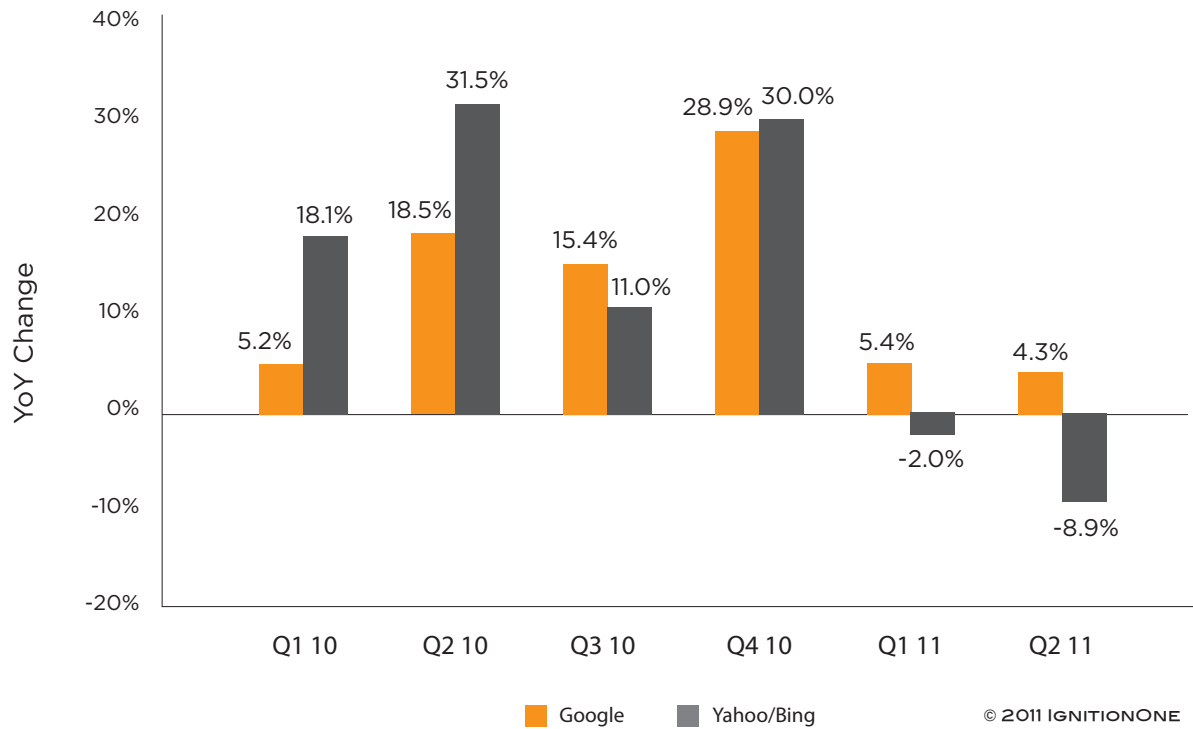
### YoY Changes by Engine



### eCPM GROWTH SLOWS

An eCPM comparison over the last several quarters shows how successfully the engines are monetizing their search queries and impressions. Both engines have seen drops in eCPM growth this year, although Yahoo/Bing has seen the most dramatic declines.

### Change in eCPM by Engine



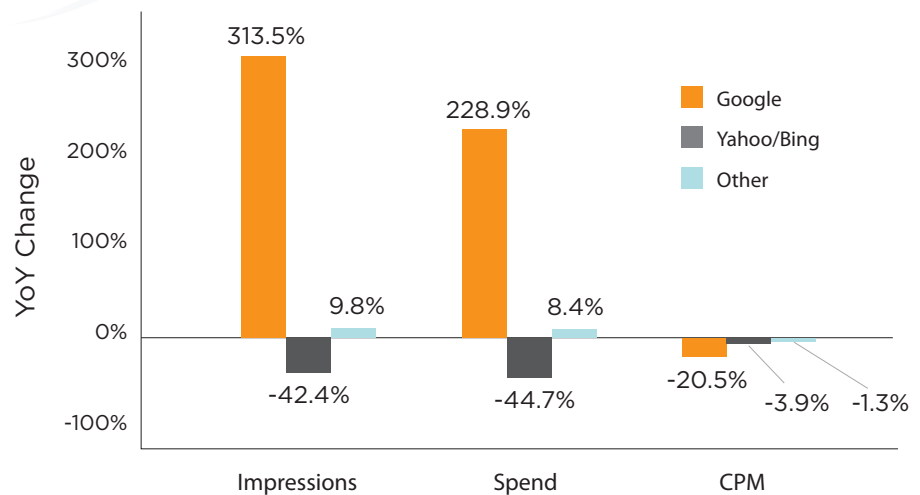
## PERFORMANCE DISPLAY ADVERTISING

### GOOGLE SEES STRONG GROWTH IN RTB DISPLAY

Google's AdEx saw nearly 230% growth in spend year-over-year on a same client basis, despite a -20.5% decline in CPM. Yahoo!'s Right Media Exchange did not fare as well, with impressions, spend and CPM all down across the board.

Share of RTB display spend is now almost evenly split between the two dominate players, with Google at 51% share and Yahoo! at 49% share.

YoY Changes by Engine



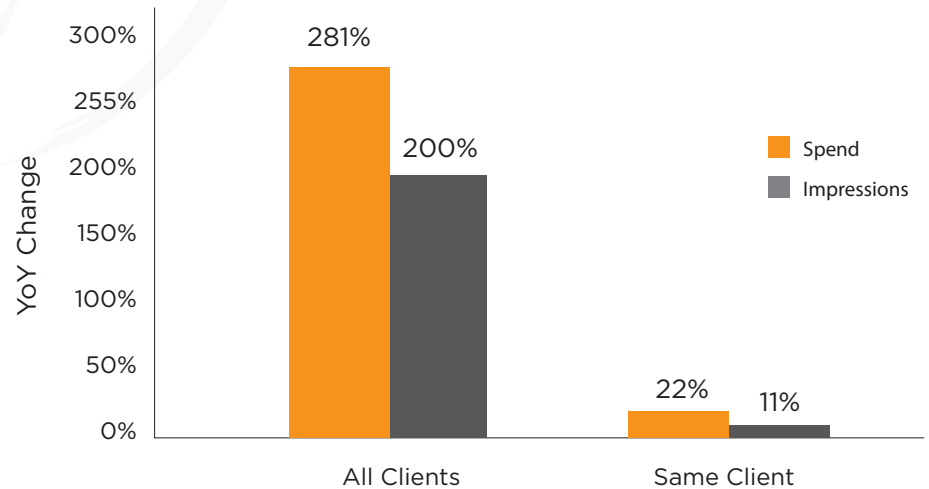
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## FACEBOOK ADVERTISING

### FACEBOOK ADVERTISING EXPERIENCES STRONG SPEND GROWTH

Facebook advertising spend is up 22% YOY on a same-client-basis, with impressions up 11%. However, Facebook advertising has experienced high rates of growth due to new marketer adoption in the past year, which contributed to a 280% increase in spend across all clients and 200% increase in impressions YOY.

### Facebook Advertising Growth YoY



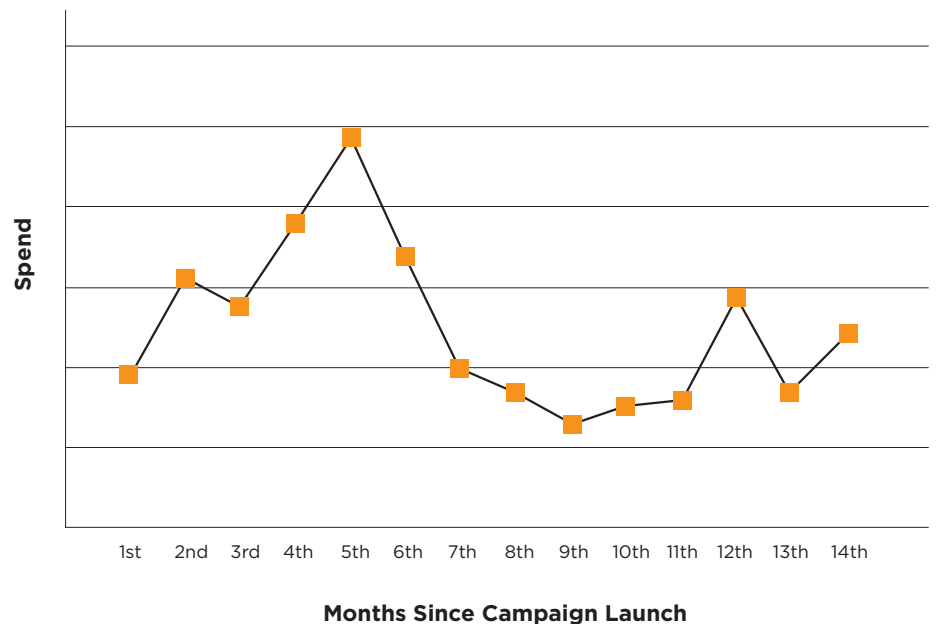
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### VOLATILE SPENDING PATTERNS SHOWCASES AD MEDIUM'S IMMATURITY

Taking a closer look at advertiser spending patterns throughout the typical Facebook campaign lifecycle reveals that marketers often ramp up spending within the first months of advertising on the social network, only to cut back significantly after the first few months. This pattern indicates that marketers are still in the testing stages with Facebook advertising as they seek to better understand how to measure its impact and budget accordingly.

These volatile spending patterns showcase the relative immaturity of this new ad medium as marketers struggle to understand how best to manage and budget for it.

### Facebook Advertising Spend Over Campaign Lifecycle



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## METHODOLOGY

This report reflects same client spend within channel aggregated values through June 15, 2011, unless noted above. For Q1 to Q2 2011 comparisons, a seasonal adjustment was applied to reflect the anticipated performance over the final 15 days of the quarter.

This is one in a series of reports from IgnitionOne, which have tracked more than 70 billion impressions and more than 1 billion clicks on Google, Yahoo!, Bing, Facebook and display networks from January 1, 2006 through June 15, 2011.

Other reports can be found at <http://bit.ly/ignitiononeresearch>.

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## ABOUT IGNITIONONE

IgnitionOne is the world's first closed loop Digital Marketing Suite, offering multiple solutions to improve online performance within a single interface. Solutions include ad management and optimization (search, display and Facebook), cross-channel attribution and website optimization.

Ignition One currently powers more than \$20 billion in revenue each year for some of the world's leading online marketers, including General Motors, Chico's, Ann Taylor, Fiat and advertising agencies such as MRM Worldwide, CyberAgent and more.

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