

# The State of Google Shopping

Mobile Shoppers & Record PLA Spend  
Drive Success for Retailers

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2014 Annual Report



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## INTRODUCTION

2013 marked the first full year of Google’s “pay-to-play” model built on Product Listing Ads (PLAs). Sparked by increased adoption and meteoric success, Google continued enhancing this richer and more engaging ad format, even as retailers scrambled to adopt enhanced campaigns in the early part of the year. Expanding PLAs to smartphones, increasing the number of ad units delivered, and adding new consumer features allowed Google to bolster a growing revenue opportunity commanding nearly one fourth of retail paid search budgets during the 2013 holiday season.

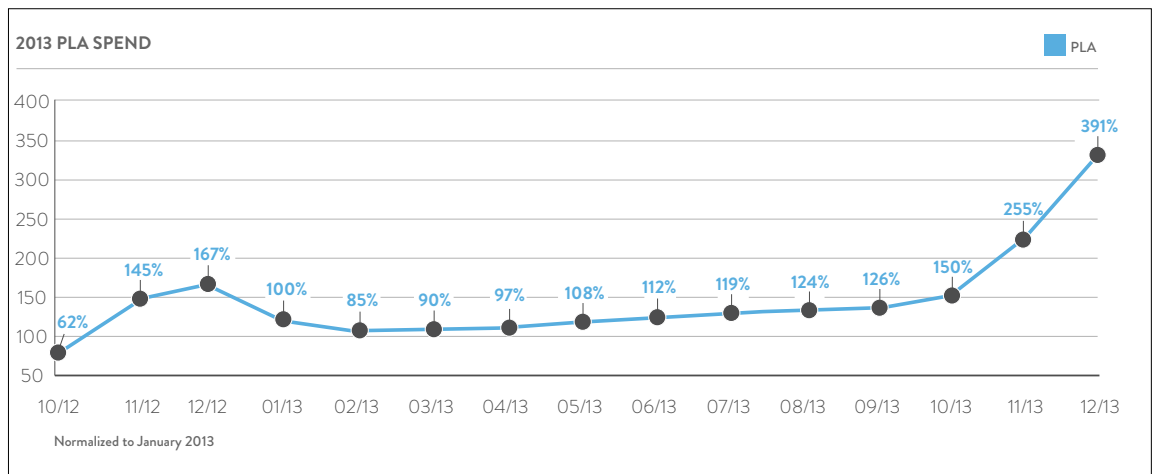
This report will examine the performance of Google Shopping ads in 2013—including a focus on the holiday season—analyzing year-over-year trends across ad formats and comparing key performance indicators by device type. Based on observed performance, seasonality trends, and forecast models, this report will also provide direction on future PLA performance. Readers will gain insight into the current state of Google Shopping ads and understand the impact of PLAs on the paid search landscape.



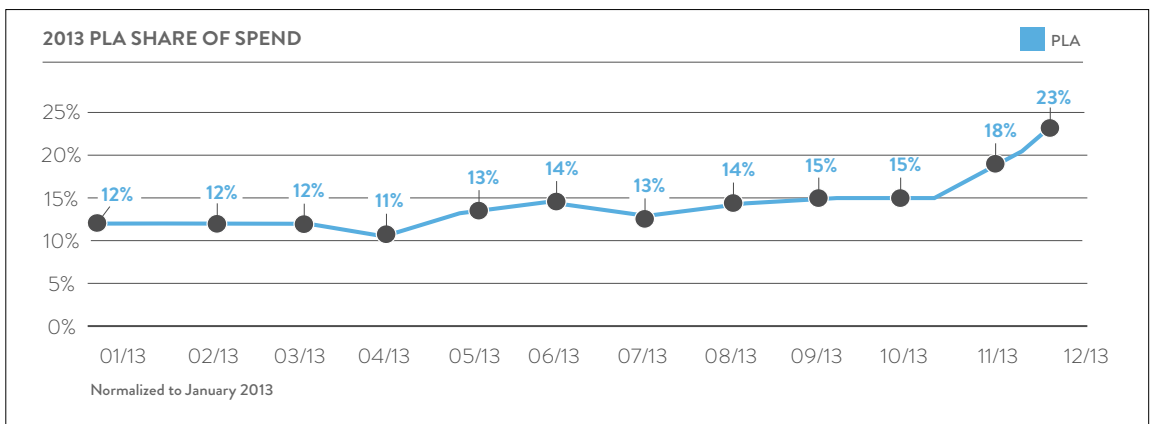
## FINDINGS & TRENDS

### Spend Surges in 2013

From January through December 2013, retail advertisers increased spend on PLAs by nearly 300%. To put this in perspective, retailers only spent 67% more in December 2012 than they did in January 2013. Not surprisingly, spend rose significantly during the holiday season. However, as more advertisers embraced PLAs and shoppers continued engaging with the product-friendly ad format, spend increased gradually throughout the year. In fact, retailers spent more on PLAs in each month of 2013 than they did in October of 2012, historically the first month of the holiday season.

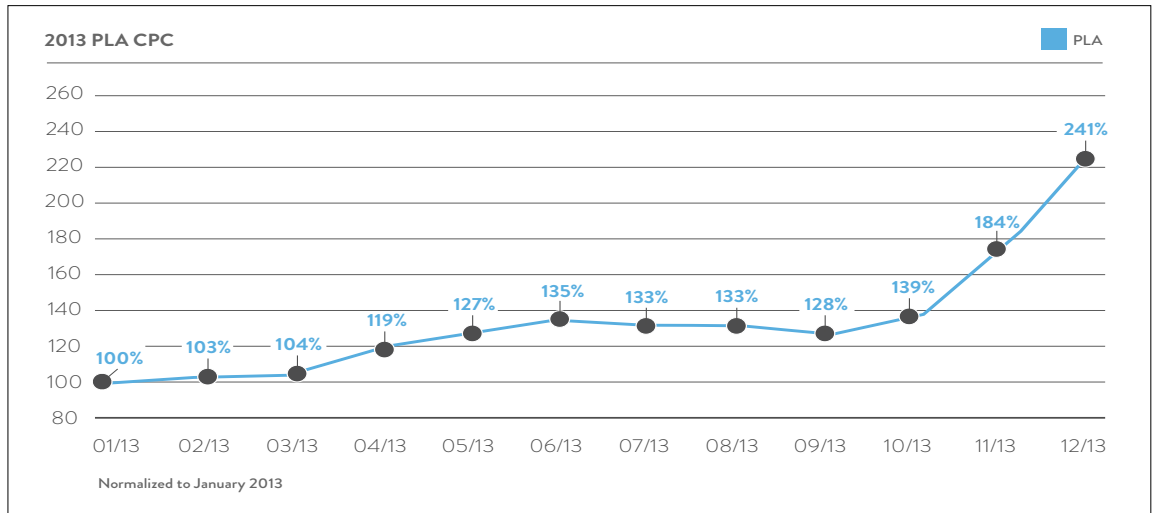


As overall PLA spend increased throughout 2013, so did the share of spend compared to text ads. From January through October, the share of spend on PLAs rose from 12% to 15% of total paid search spend, a 25% increase. By December, retailers were allocating 23% of their paid search budget toward PLAs, a 92% increase over January. Though the share of spend varied across individual retailers, some advertisers allocated as much as 80% of their paid search budget toward PLAs during the holidays; this represents a sharp increase from the 30% share of spend observed during the 2012 holiday season.



## COMPETITION FUELS CPC INCREASES

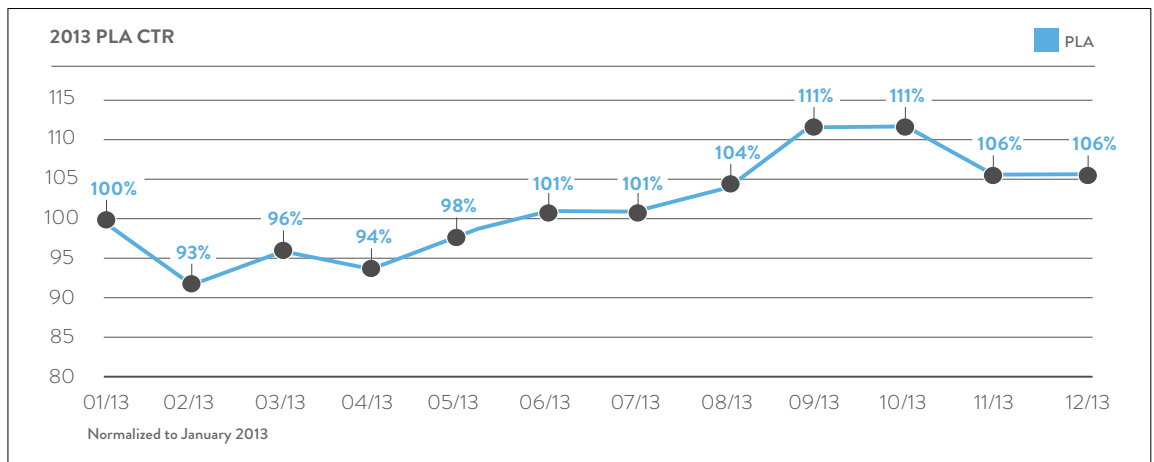
As retailers allocated more spend toward PLAs, increased competition in the auction landscape ultimately fueled an increase in cost-per-click (CPC). From January through June 2013, PLA CPC rose 35%. Over the same time period, text ad CPC increased only 14%. By the end of the year, PLA CPC increased a staggering 141%, while text ad CPC increased 21%. Ultimately, rising costs will force retailers to reevaluate their business goals and find spend tradeoffs between text ads and PLAs. For now, it appears the tradeoff favors the richer and more effective PLA format.



## SHOPPING AD OF CHOICE

Despite decreasing click-through-rates (CTR) for text ads, shoppers continued to increase their engagement with PLAs in 2013. In fact, 1 out of every 5 paid shopping clicks last year was on a PLA. From January through December, CTR increased 6% on PLAs, with peaks occurring in September and October. Conversely, across the same time period, CTR for text ads dropped 13%.

Though both PLA and text ad CTRs increased year over year during the holiday season, it has become apparent that consumers favor the more shopping-centric ad format when researching and marking purchase decisions, especially during the busiest shopping period of the year.

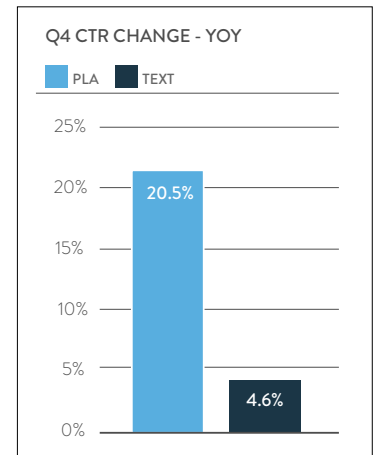
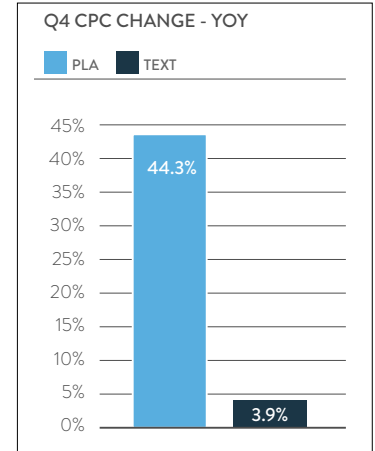




## HOLIDAY PERFORMANCE

During the 2013 holiday season, CPC and CTR for PLAs increased dramatically year over year. Competition for consumers' wallets drove CPC 44% higher than in 2012, a stark contrast to the 4% increase in CPC for text ads over the same time period. With rising holiday costs, retailers will not only need to allocate additional budget to ensure a profitable share of PLA impressions, but also optimize their product feed to improve relevance and drive down CPC. Ultimately, these efforts will generate better revenue outcomes as shoppers increase their engagement with product-centric ads.

Throughout the year, advertisers continued refining their approach to product feed optimization and savvy shoppers familiarized themselves with Google Shopping results. Ultimately, this combination resulted in a highly effective holiday shopping experience. From October through December 2013, PLA CTR increased nearly 21% year over year. In contrast, CTR for text ads increased less than 5% year over year. As mobile shoppers utilize Google Shopping more in-store and on-the-go, we expect these holiday CTR trends to continue in 2014.

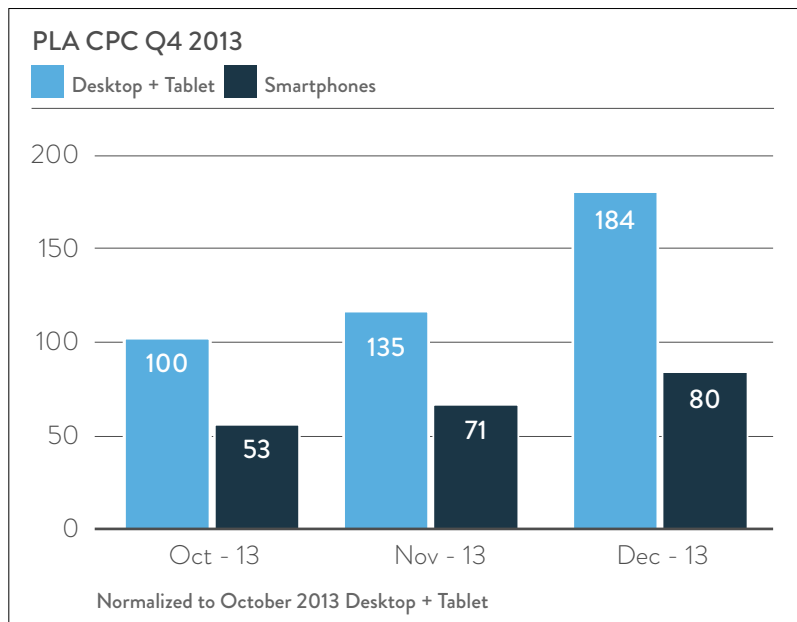




## THE MOBILE SHOPPING MOVEMENT

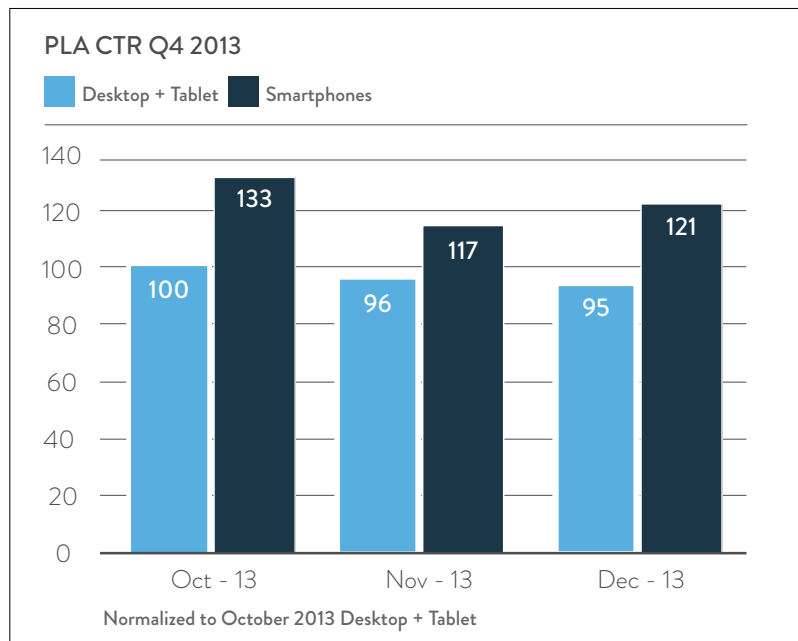
Desktop and tablet PLA performances are converging, and smartphones continue to lead the pack in terms of cost and engagement. With shoppers performing more searches on-the-go and interacting more with their smartphones in-store, advertisers must increasingly shift their focus toward smartphones in 2014.

From October through December 2013, desktop and tablet CPC for PLAs increased 84%. Though smartphone CPC also increased during the same time period, it remained lower than its desktop and tablet counterparts. In fact, December smartphone CPC was 20% less than October desktop and tablet CPC.





PLAs delivered on smartphones not only cost less, but are also more engaging than those delivered on PCs and tablets. In October, PLAs on smartphones had a 33% higher CTR than PLAs on desktops and tablets. In fact, during the 2013 holiday season, smartphone PLAs outperformed desktop and tablet PLAs from a CTR perspective.



## PROJECTIONS

In 2014, retail advertisers will undoubtedly allocate a greater share of paid search spend toward PLAs and shoppers will engage more with PLAs on-the-go, increasing the share of PLA clicks on smartphones. To project future performance, Marin analyzed month over month variations and factored in seasonal shifts in performance.

- Marin predicts that by December 2014, retailers will allocate one-third of their entire paid search budget toward PLAs.
- Marin predicts that by December 2014, 40% of all PLA clicks will occur on smartphones.





## THE NEW SHOPPING LANDSCAPE

A year most likely remembered for enhanced campaigns, 2013 encapsulated a dramatic shift in the shopping landscape and changed the way retailers approach PLAs. As consumer engagement and the cost of PLAs continue to increase, advertisers will need to rethink their PLA strategy. Setting revenue maximizing budgets across search and Shopping campaigns will become critical particularly during the holiday seasons. Shifting more attention toward optimizing the mobile experience—mobile-friendly landing pages, integrating Google Merchant Center’s local availability and local storefront features—will be key to maximizing smartphone PLA performance.

In 2014, Google will roll out Shopping campaigns in the US, with full global availability later in the year. Shopping campaigns introduce a new way for retail advertisers to manage and report on PLAs, offering additional benefits in the form of flexibility and visibility. These and other changes will force retailers to remain agile and invest in new ad technology. Efficient management, reporting, and optimization of Shopping campaigns will be crucial for remaining competitive and winning the battle for revenue online.

## RESEARCH METHODOLOGY

To create this report, we sampled the Marin Global Online Advertising Index, analyzing enterprise retailers spending over \$100,000 per month on Google text ads and PLAs. As such, our data and findings skew toward the performance of larger retailers, and may not reflect performance trends for small retailers. However, the size and diversity of our dataset enables us to provide the most comprehensive analysis on PLA performance.

Our research focused on a representative set of advertisers who leverage Google text ads and PLAs. Where appropriate, all monthly key performance indicators were normalized to January 2013—instead of exposing absolute values—to more clearly highlight overall trends. Device-level performance was normalized to October 2013 desktop and tablet performance. A longitudinal analysis was applied for year-over-year performance. For this report, we refreshed our client index data pool. This could result in slight deviations from previously reported data, but makes for more representative analysis and findings.

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## ABOUT MARIN SOFTWARE

With more than \$6 billion in annualized advertising spend, Marin Software (NYSE: MRIN) is the leading digital ad management platform in the world. Offering an integrated platform for search, display, social, and mobile advertising, Marin helps the world's best brands and agencies simplify their advertising workflow while dramatically increasing ad performance. Powering advertising campaigns in more than 160 countries, Marin's technology transforms data into insights and complexity into opportunity for hundreds of global advertisers and agencies. For more information about Marin's solutions, please visit: <http://www.marinsoftware.com/solutions/overview>.

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