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SAMPLE: State of Search Marketing Report 2011

in association with SEMPO

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Published **April 2011**

Econsultancy New York
41 East 11th St., 11th Floor
New York, NY 10003
United States

Telephone:
+1 212 699 3626

http://econsultancy.com
help@econsultancy.com

Econsultancy London
4th Floor, The Corner
91-93 Farringdon Road
London EC1M 3LN
United Kingdom

Telephone:
+44 (0)20 7269 1450

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1. Executive Summary and Highlights

The **SEMPO State of Search Marketing Report 2011**, published by Econsultancy for the second year running, is based on a global online survey of more than 900 companies and agencies. This year's annual SEMPO study – now in its seventh year – is an aggregation of information provided by organizations from 66 different countries, from marketers across a range of business sectors and types of agency.

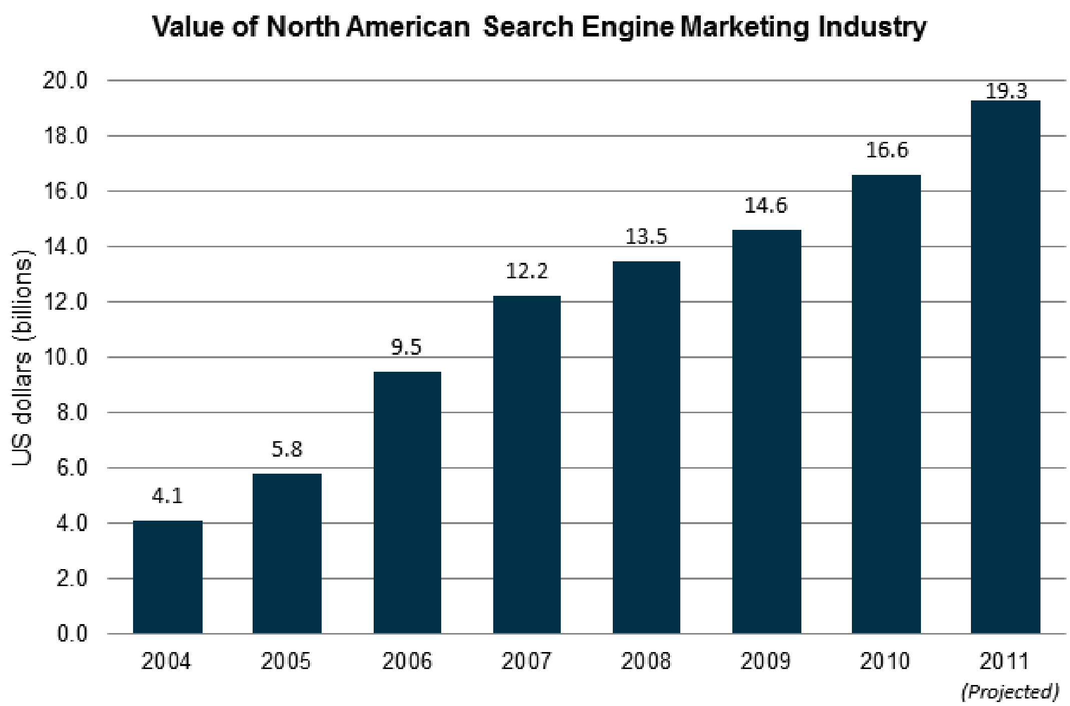
The report looks in detail at levels of spending and trends within **search engine optimization** (SEO or natural search), **paid search** and **social media marketing**, and the extent to which companies are harnessing particular search engines and social networks for marketing.

Market valuation

SEMPO and Econsultancy estimate that the North American search engine marketing industry[1] will grow by 16% in 2011 to a value of $19.3B, up from $16.6B in 2010.

After a slowdown to 8% in 2009, market growth increased to 14% last year as estimated in the SEMPO State of Search Report 2010 published last March. This year, we believe the growth rate will increase to 16%, fuelled in particular by continued growth from Google and the Microsoft / Yahoo Search Alliance.

This report shows that a large proportion of companies continue to increase their investment in both paid search and SEO. As well as increased investment in the established search engines, companies are also spending more on Facebook pay-per-click advertising as the social network goes from strength to strength. There is also more investment in search-related technology.



[1] This valuation includes money spent on paid search marketing and search engine optimization (natural search), and also spending on search engine marketing technology. It excludes social media marketing spending, except for money spent with social networks on PPC advertising.

Key findings

- The **rise of the mobile internet** is the trend which is regarded as having the most impact on search marketing.

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2. Introduction by Econsultancy

The 7th year of the SEMPO State of Search Marketing survey finds an industry that's mature, robust and evolving in incremental steps rather than the leaps of youth. The answers to the big questions posed by the survey show movement, but they also show the kind of measured response that comes with experience.

What are search marketers doing?

To a large degree, search marketers are continuing to increase their investment in the fundamentals of search, while slowly expanding into new areas. Google's dominance is unshaken, and continues to be earned in the marketplace. Despite an increase in costs, respondents were bullish on the volume, quality and ROI returned by the leading search engine, with many reporting an improvement over 2010 results.

The threat to the norm doesn't appear to be the recent merging of Yahoo Search with Microsoft's Bing. Rather, it may come from the spectrum of social alternatives. An SEM focus on Facebook has quickly become commonplace, with nearly half of the respondent companies making a pay per click buy.

What are they spending?

Search budgets continue to increase, if somewhat slowly by the standards of a few years ago. Both PPC and SEO are the beneficiaries, with over half of respondents reporting increases, and roughly a third keeping budgets static.

As in previous years, if monies for search are being appropriated from other aspects of the marketing budget, it's likely that they're coming from traditional, offline activities. Of the five top categories losing budget to search, only one – display – is a digital tactic and even that lags far behind print advertising as a target for cuts.

What's on their mind?

From a practical standpoint, changes to Google's algorithm are a real concern to many marketers. 2011 has been marked by significant alterations to how the search engine makes its determinations, but more notably, changes have occurred in quick succession, making it difficult for even sophisticated search marketers to keep track.

However, most acknowledge the need and value of Google's evolution. Changes to the SERPs have been viewed positively by both marketers and agencies in the sample, as are efforts to reduce the impact of 'content farms' on search results.

Social media's relationship with search is clearly another important concern for marketers, but it's also a bit of a mystery. Although more than 50% report that social has had a significant impact on their SEM, only 29% have merged elements of their search and social programs.

Another important milestone comes in the area of technology and its ability to support search engine marketers. For the first time, over 50% are using some type of solution to assist in their paid search efforts. The number is lower in SEO, largely because so many firms outsource their optimization efforts, but growing quickly. On both sides, the inevitable drive to innovate and automate is being felt, with a range of technology products targeted across the spectrum of marketing organizations.

For the end user of search, expectation and reality aren't far apart, a remarkable achievement for an industry that's had to grow so quickly. Visual search and augmented reality aren't mainstream, but they're clearly headed there. In what may prove to be the most important innovation in search for some time, Google has cracked the linguistic barriers to speech recognition. The search experience is entirely hands free for many users, and may well be a template for how we interact with technologies of all sorts in our increasingly mobile future.

To understand an industry as dynamic and innovative as search, it takes time and a broad perspective. The State of Search Marketing Report that results from the SEMPO survey is unique in its history and its scope. The hundreds of responses in this seventh year of the survey came from 66 countries. Econsultancy is proud to work with SEMPO in supporting and refining this unique research tool.

Stefan Tornquist
Research Director, US
Econsultancy

3. Introduction by SEMPO

SEMPO is proud to be delivering this seventh edition of its annual State of Search Survey Report. We'll let the report and the data contained in the following pages and charts speak for themselves, and hope that in turn it spurs dialogue among its readers as we seek as an organization to help our industry learn and grow through better understanding of the changes/challenges that are constantly upon us. With that in mind, here are a few thoughts to help put the data into context:

- Seven years of data provides a solid retrospective base to see how far the industry has come – particularly in terms of tactical usage and investment. We have strived to maintain longitudinal integrity in this regard while still providing opportunity for probing new developments, e.g. Google Instant and the Microsoft/Yahoo Search Alliance this past year.
- We have also started looking for insight on future developments and this year's report leads with the emerging trends and technologies search marketers feel will have an impact on the industry in the coming years. We feel this predictive component also helps marketers do a better real-time assessment of where they are and where they may want to be in this highly competitive space.
- The depth and breadth of participation in this survey cannot be understated as a key element of its value. With participants from 66 different countries, and with only half of the total respondents coming from the United States, this report represents the true global nature, reach and impact of the search marketing industry.
- We continue to be unique in our approach to the survey by inviting participation from both advertisers and agencies and then presenting the results in segmented fashion to allow for comparison and contrast. Regardless of which side of the aisle you are on, we encourage you to take advantage of the perspective being offered by your compatriots and your counterparts.

Finally, thank you to all who participated in this year's survey. Your voice is what makes this such a valuable report year after year.

Marc Engelsman, SEMPO Research Committee
Chris Boggs, SEMPO President

4. About Econsultancy

Econsultancy is a digital publishing and training group used by more than 200,000 Internet professionals every month.

The company publishes practical and time-saving research to help marketers make better decisions about the digital environment, build business cases, find the best suppliers, look smart in meetings and accelerate their careers.

Econsultancy has offices in New York and London, and hosts more than 100 events every year in the US and UK. Many of the world's most famous brands use Econsultancy to educate and train their staff.

Some of Econsultancy's members include: Google, Yahoo, Dell, BBC, BT, Shell, Vodafone, Virgin Atlantic, Barclays, Deloitte, T-Mobile and Estée Lauder.

Join Econsultancy today to learn what's happening in digital marketing – and what works.

Call us to find out more on +1 212 699 3626 (New York) or +44 (0)20 7269 1450 (London). You can also contact us online.

5. About SEMPO

The Search Engine Marketing Professional Organization (SEMPO) is a global non-profit organization serving the search marketing industry and marketing professionals engaged in it. Its purpose is to provide a foundation for industry growth through building stronger relationships, fostering awareness, providing education, promoting the industry, generating research and creating a better understanding of search and its role in marketing.

SEMPO includes thousands of professionals across 50 countries. The organization's mission is to represent the common interests of companies and consultants worldwide and provide them with a voice in the marketplace. SEMPO's education and outreach initiatives are funded in part by Google, American Express Open SearchManager, and Baidu, and supported through partnerships with SMX, SES, OMS, and MediaPost.

For more information or to join the organization, visit http://www.SEMPO.org.

6. Methodology and Sample

6.1. Methodology

The State of Search Marketing Report is based on an online survey[2] of more than 900 client-side (advertisers) and agency respondents. The survey was live during February and March 2011. SEMPO and Econsultancy promoted the survey to their respective members, offering a complimentary copy of this report as the incentive for taking part.

We would like to thank those who took the time to complete the questionnaire, and also SEMPO members who promoted the survey to their clients. If you have any questions about the research and methodology, please email Linus Gregoriadis at Econsultancy (Linus@econsultancy.com).

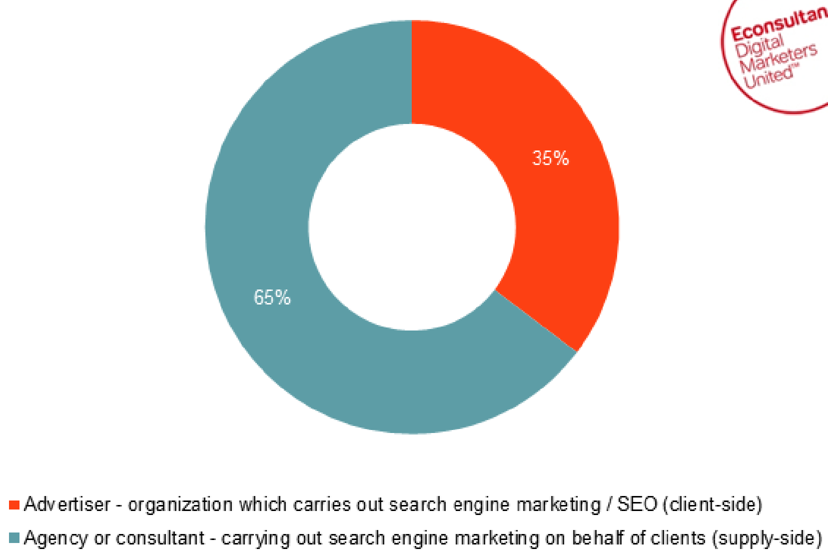
6.2. Respondent profiles

A total of 920 respondents from 66 countries took part in the survey, with US-based respondents accounting for almost half of the total[3]. The sample included 325 advertisers and 595 supply-side respondents (mainly agencies) carrying out search marketing and social media activity on behalf of clients. We have carried out separate analysis for both these groups and the distinction is abbreviated to 'companies' (including not-for-profit organizations) and 'agencies'. For more detailed profiling of respondents, see *Section 8*.

6.2.1. Type of organization

Figure 1 below shows supply-side (agency) respondents account for 65% of the sample and company respondents account for just over a third of the total (35%).

Figure 1: Which of the following most accurately describes the organization you work for?



Respondents: 920

[2] *Econsultancy uses Clicktools for its online surveys.*
[3] *We provide US/Canada company breakouts as point of comparison because the sample size for North America allows us do this with confidence in the data.*

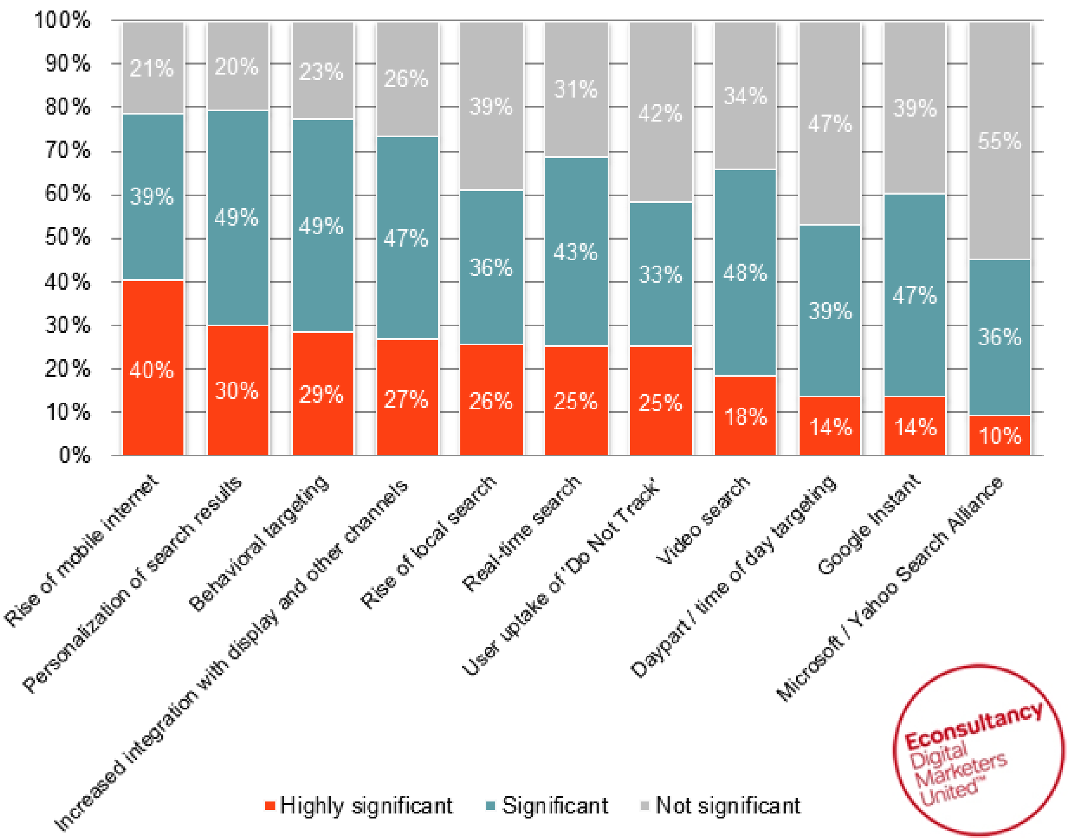
7. Findings

7.1. Significance of different trends and technologies

An increasing number of companies are looking to capitalize on the mobile channel, driven by the extended functionality and interactivity of smartphones and a growing user base. The findings below confirm that mobile is gradually becoming an essential component of every advertiser's search marketing efforts.

Companies

Figure 2: In the context of your search marketing efforts, how would you describe the impact of the following trends and technologies?



Respondents: 243

Sample only, please download the full report from:

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7.2. Paid search, SEO or social media?

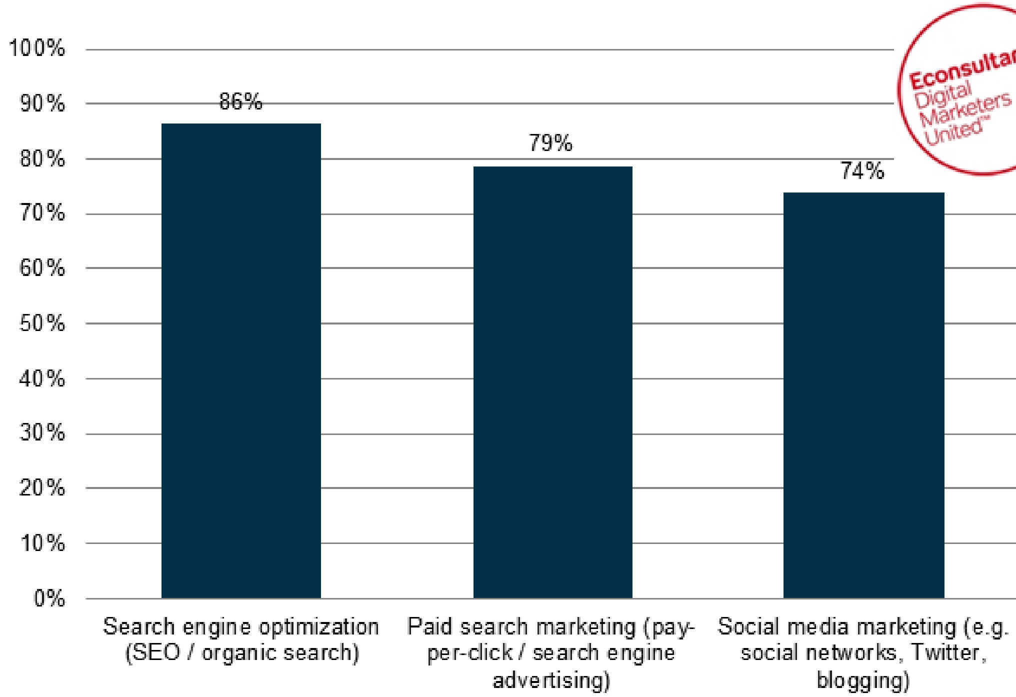
7.2.1. Type of marketing carried out by companies

Figure 6 shows the proportion of client-side respondents carrying out *search engine optimization* (organic or natural search), *paid search marketing* and *social media*.

The proportion of responding companies who engage in *search engine optimization* (86%) and *paid search marketing* (79%) has slightly decreased since 2010, while the number of those carrying out *social media* has increased by 2% [*Figure 7*].

Companies

Figure 3: Which of the following types of activity does your organization carry out?



Respondents: 324

7.2.2. Services offered by agencies

The proportion of agencies managing *paid search marketing* and *social media marketing* on behalf of their clients has increased since 2010, by 1% and 6%, respectively [*Figure 9*].

An increasing number of agencies are trying to own the social media space, hence the significant growth in the proportion of providers offering these services.

7.3. Objectives and metrics

7.3.1. Objectives for search engine optimization

Survey respondents were asked what their most important and second most important objectives were for search engine optimization.

Driving web site traffic has become the most commonly cited primary objective for SEO, with 42% of company respondents saying that this is their top priority. *Generating leads* is now the main goal for just under a third of company respondents (29%), while *selling product, services or content directly online* is the most important objective for less than a fifth of companies (18%).

7.4. Budgets

7.4.1. Budget for search engine optimization in 2010

Figure 34 shows how much companies spent on search engine optimization in the last two years. Just under half of client-side respondents (48%) are now spending either nothing (9%) or less than $25,000 (39%).

The proportion of companies spending more than $150,000 has increased by 8% since 2010, now standing at just over a quarter (26%).

Companies

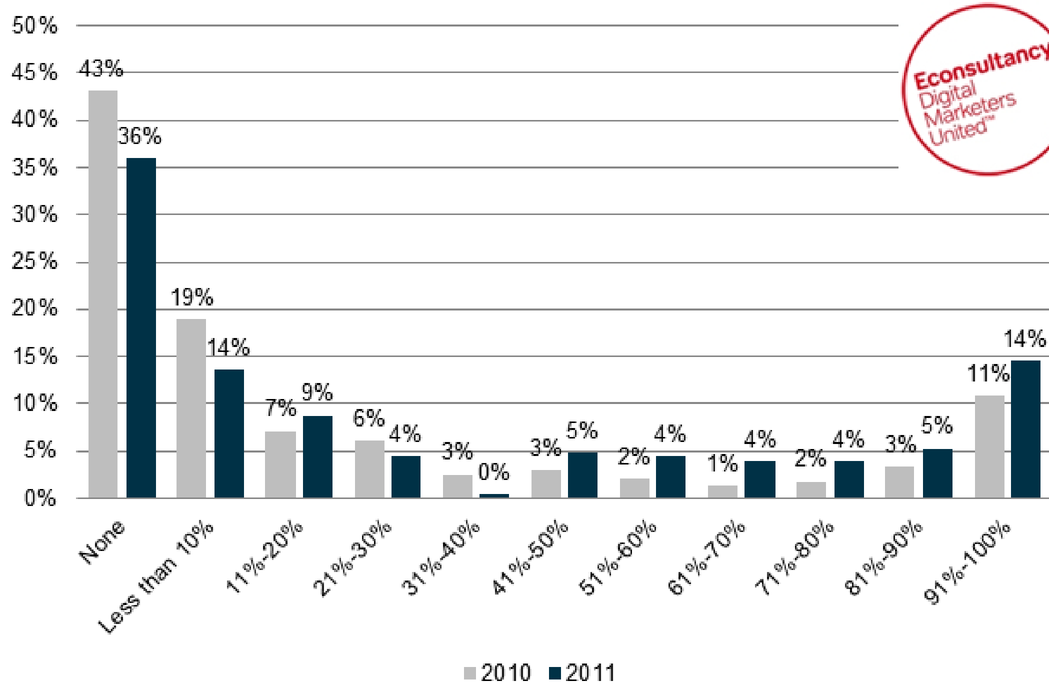
Figure 4: What was your company's budget for search engine optimization (organic search) in 2010? (*Including agency, staff and technology costs)*

7.4.2. Proportion of SEO budget spent with agencies

Figure 37 shows the percentage of SEO budget spent with agencies. Half of companies either do not spend their SEO budgets with service providers or spend less than 10%, but this percentage has decreased by 12% since last year.

Companies

Figure 5: What percentage of your SEO budget is spent with an agency or agencies?



Respondents 2011: 241
Respondents 2010: 416

Sample only, please download the full report from:

http://econsultancy.com/reports/state-of-search

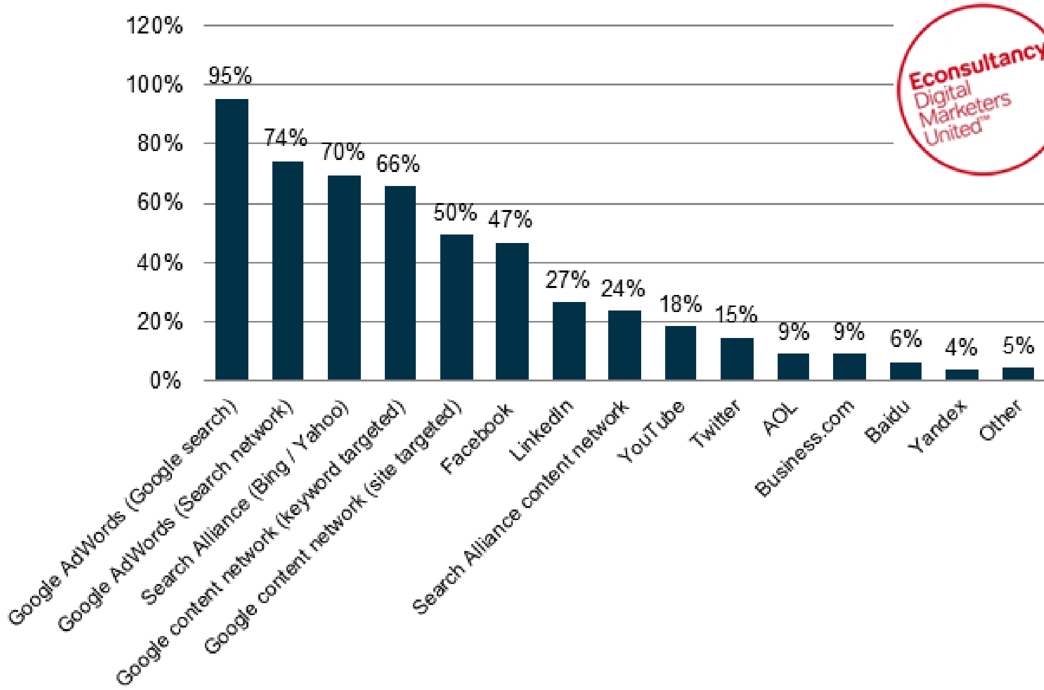
7.5. Search engines

7.5.1. Web properties used for PPC advertising

The chart below underlines the prominence of Google, with the vast majority of responding advertisers in North America (95%) saying they run PPC campaigns on *AdWords*.

Companies – US and Canada

Figure 6: Which of the following web properties do you run PPC campaigns on?



Respondents: 109

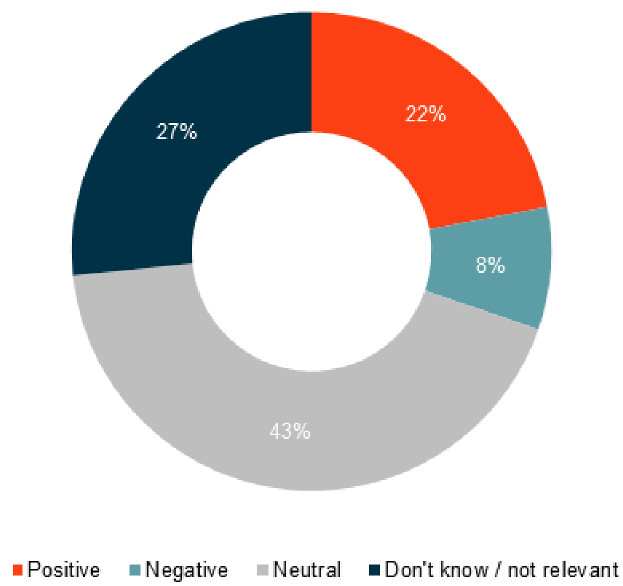
7.5.2. Impact of Microsoft / Yahoo Search Alliance

US and Canada

Just under half of North American companies (43%) say that the Microsoft / Yahoo Search Alliance doesn't have any impact (i.e. 'neutral' impact) on their paid search marketing activity, and this percentage is the same for supply-side respondents [*Figure 81*]. This confirms findings outlined in *Section 7.1.*, where it was seen that the alliance is not regarded as a significant development, relative to other industry trends.

Companies – US and Canada only

Figure 7: What kind of impact is the Microsoft / Yahoo Search Alliance having on your paid search marketing activity?



Respondents: 109

Sample only, please download the full report from:

http://econsultancy.com/reports/state-of-search

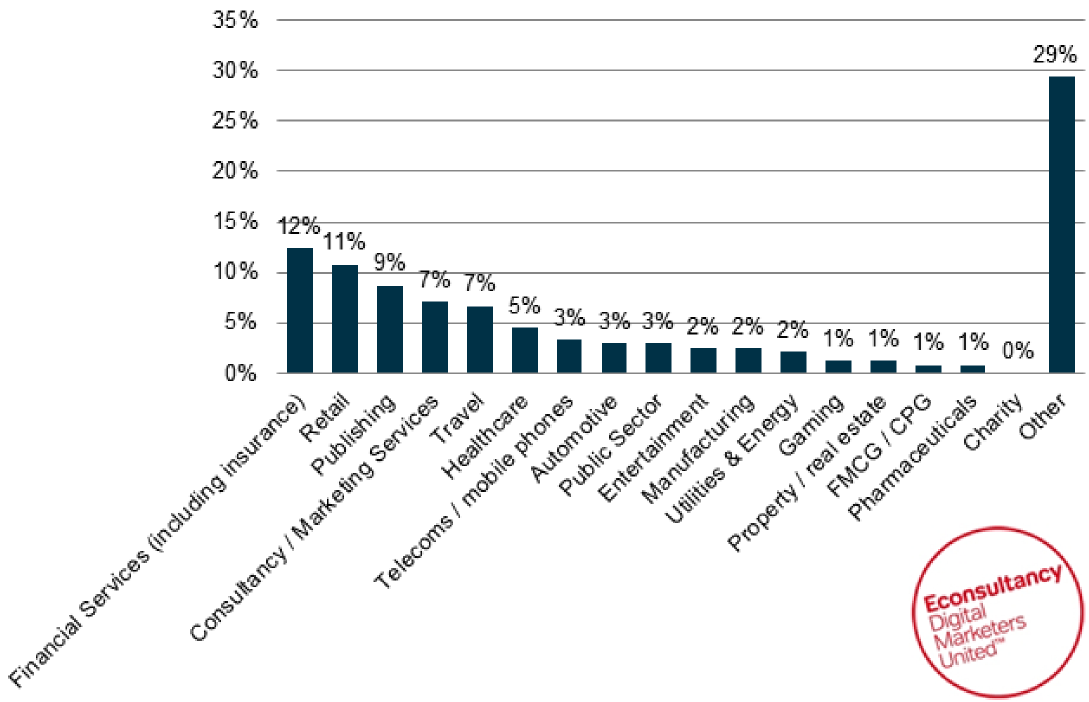
8. Appendix: Respondent Profiles

8.1. Business sector

The best represented sectors are *financial services including insurance* (12%), *retail* (11%) and *publishing* (9%). '*Other*' sectors represented include *information technology*, *software* and *education*.

Companies

Figure 8: In which business sector is your organization?



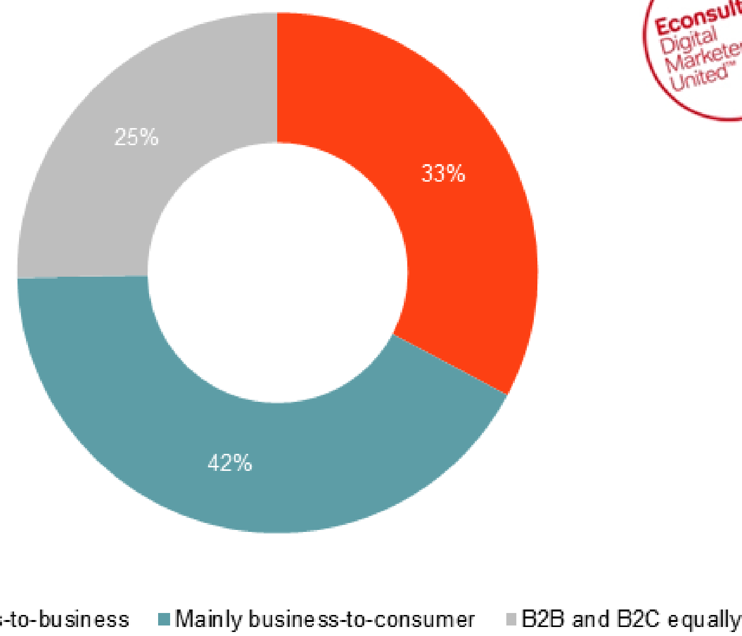
Respondents: 241

8.2. Business focus

Around a third of company respondents (33%) are focused mainly on *business-to-business*, compared to under half (42%) who are *business-to-consumer* focused. A quarter of respondents equally focus on B2B and B2C.

Companies

Figure 9: Is your business focused on B2B or B2C?



Respondents: 241

Sample only, please download the full report from:

http://econsultancy.com/reports/state-of-search

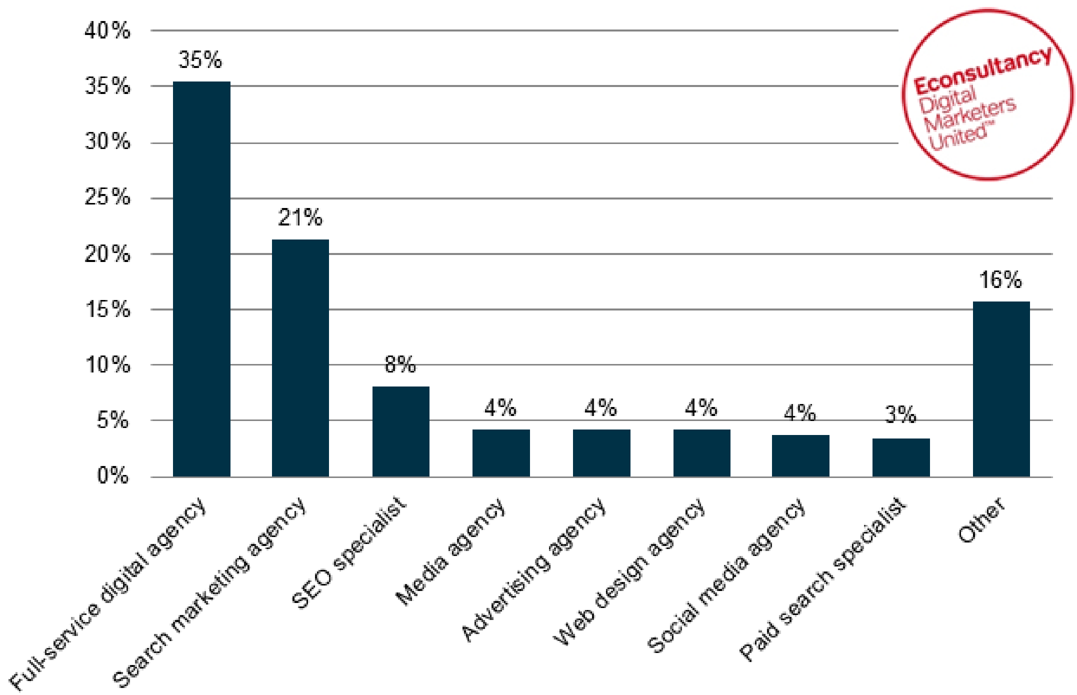
8.3. Type of agency

Figure 138 shows the types of agencies represented by supply-side respondents. Just over a third (35%) of respondents are *full-service digital agencies*.

Around a fifth of supply-side respondents (21%) work for *search marketing agencies* and a further 8% work for *search engine optimization specialists*. Only 4% of respondents work for agencies which only do *paid search*.

'*Other*' types of supply-side respondents include *marketing consultants* (including digital marketing) and *web consultants*.

Figure 10: Which of the following best describes your agency or business?



Respondents: 460

8.4. Geography

This table shows the number of respondents from each of the 66 countries represented in this research.

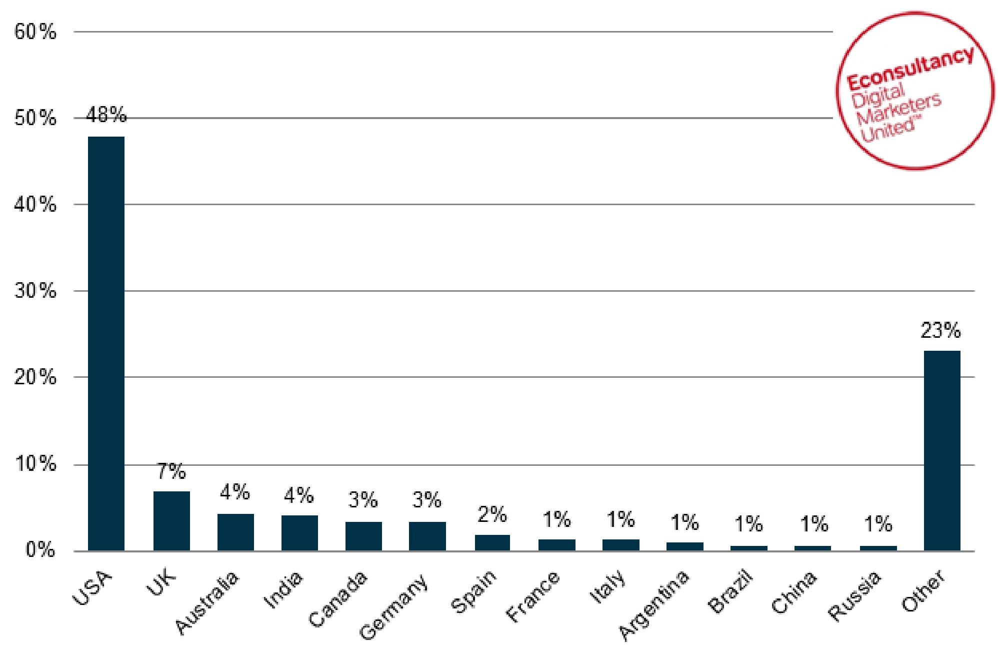
USA	439	Denmark	8	Japan	3	Ghana	1
UK	64	Portugal	8	Philippines	3	Hungary	1
India	43	Slovakia	8	Serbia	3	Iceland	1
Australia	39	Sweden	8	Brazil	3	Indonesia	1
Canada	37	Norway	7	Chile	2	Kenya	1
Spain	18	Romania	7	Egypt	2	Latvia	1
South Africa	15	Switzerland	7	Finland	2	Lithuania	1
Italy	15	China	7	Israel	2	Malta	1
Ireland	14	Argentina	6	Korea	2	Mauritius	1
Germany	13	UAE	5	Lebanon	2	Panama	1
Belgium	11	Colombia	4	Malaysia	2	Puerto Rico	1
Netherlands	11	Croatia	4	Sri Lanka	2	Taiwan	1
Mexico	10	Cyprus	4	Albania	1	Ukraine	1
Singapore	10	Turkey	4	Belarus	1	Venezuela	1
France	10	Russia	4	Cayman Islands	1	Vietnam	1
Greece	9	Czech Republic	3	Costa Rica	1		
Poland	9	Hong Kong	3	Ecuador	1		

Please note that not all respondents specified which country they come from.

US-based respondents account for just under half of both the in-company (48%) and supply-side sample (47%). The next best represented countries in the client-side sample are *UK* (7%), *Australia* (4%) and *India* (4%).

Companies

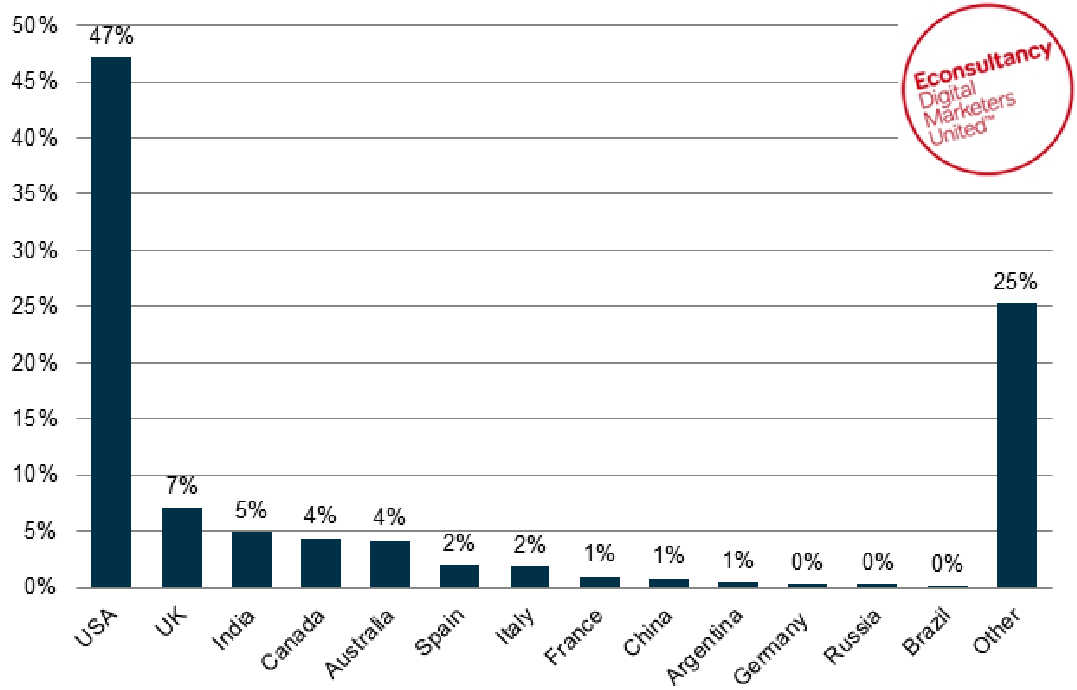
Figure 11: In which country are you based?



Respondents: 325

Agencies

Figure 12: In which country are you based?



Respondents: 594

8.5. Size of company by revenue

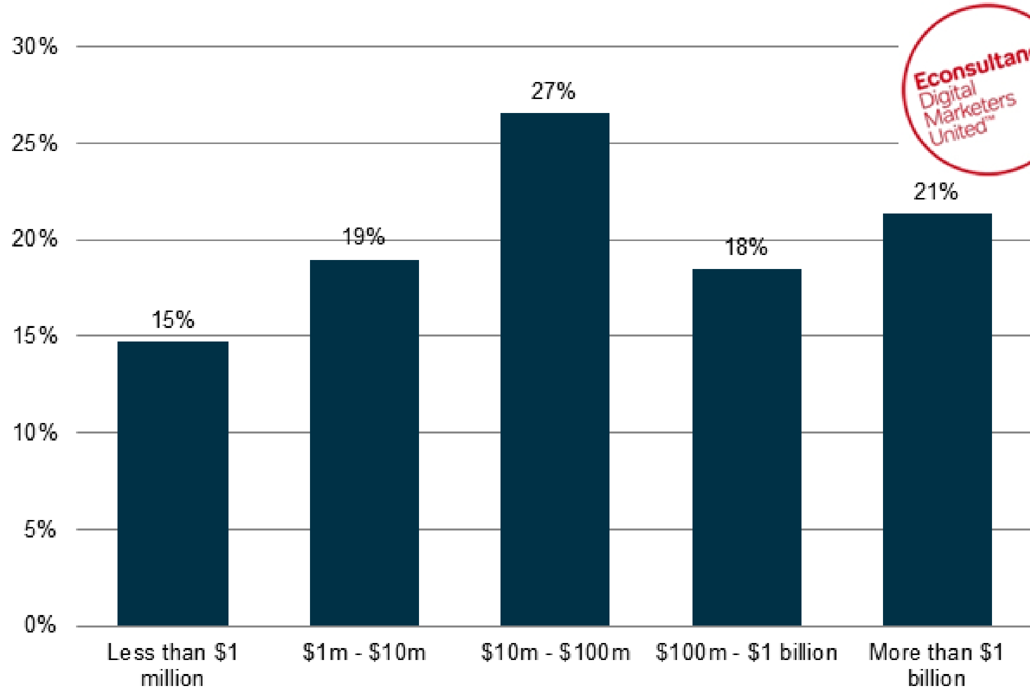
Figure 141 shows the spread of company respondents by annual revenue.

Just over a third of respondents work for companies with revenues totaling less than $10 million per year, while around a quarter of organizations have an annual income between $10 and $100 million.

Around a fifth (21%) work for organizations earning more than $1 billion each year.

Companies

Figure 13: Approximately how much did your company generate in revenue in 2010?



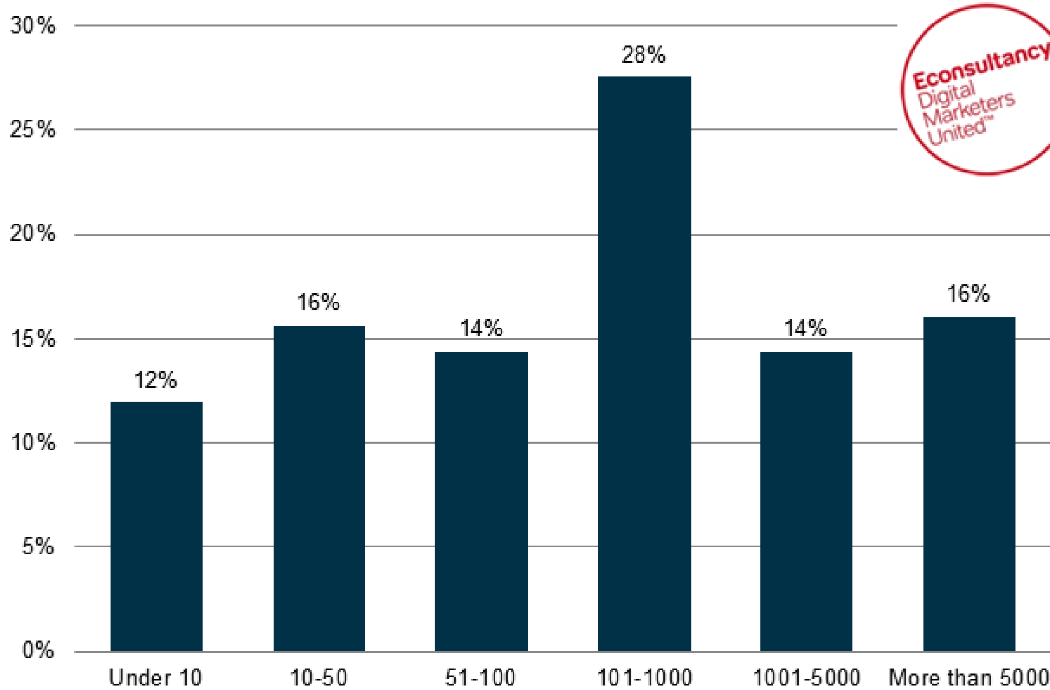
Respondents: 242

8.6. Size of company by number of employees

Figure 142 shows the split of companies surveyed by number of employees. Companies with less than 100 employees account for 42% of the sample, while under a third have between 100 and 1,000 employees.

Companies

Figure 14: How many employees are there in your organization?



Respondents: 243

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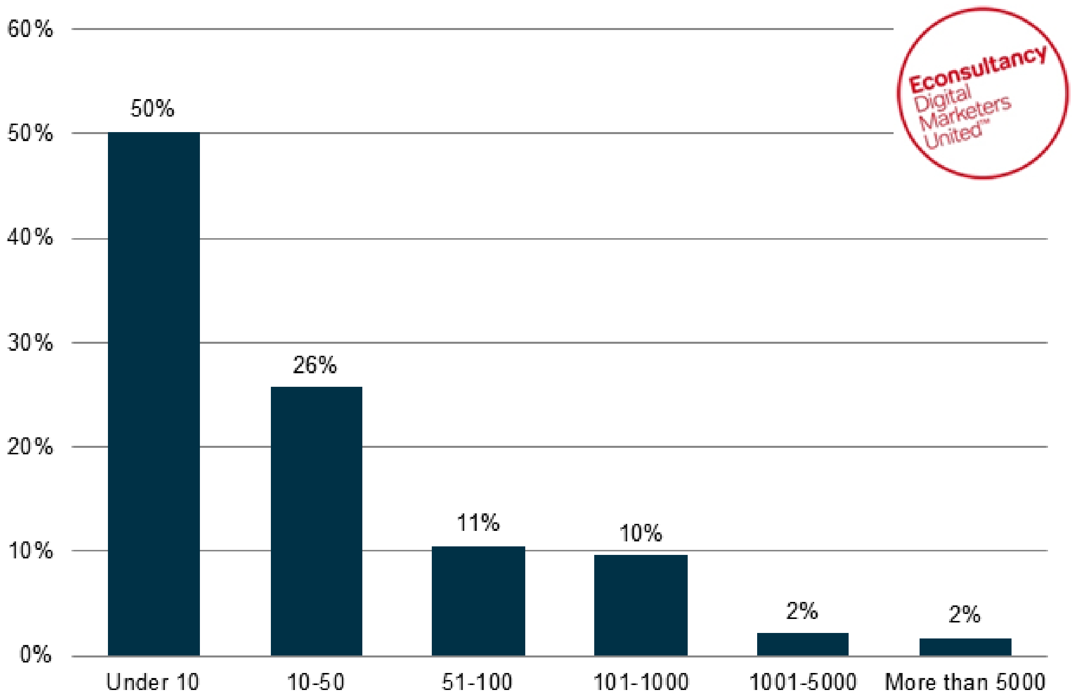
http://econsultancy.com/reports/state-of-search

8.7. Size of agency by number of employees

Half of supply-side respondents work for organizations with fewer than 10 employees. Around a quarter (26%) work for companies with between 10 and 50 employees.

Agencies

Figure 15: How many employees are there in your organization?



Respondents: 466