State of Search Marketing Report 2011

in association with SEMPO
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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 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 Marketing 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.

Value of North American Search Engine Marketing Industry

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. More than three-quarters of companies (79%) deem it as ‘highly significant’ or ‘significant’ and this percentage has jumped 14% since 2010. The mobile channel is now regarded as having more impact than personalization of search results, which was seen as the most significant trend in 2010.

- **Local search** also continues to have a major impact. Forty-three percent of agencies say this is highly significant trend and a further 41% say it is significant. According to agencies, 34% of clients’ paid search budget is now spent on local PPC advertising (i.e. at a regional, city or sub-market level). This compares to 54% for national PPC advertising, and 12% for international paid search campaigns.

- Survey results also bear witness to the growing importance of **behavioral targeting**. The proportion of company marketers who say this is highly significant or significant now stands at 78%, up from 68% last year.
  - On a related theme, more than half of company marketers (58%) deem **user uptake of ‘Do Not Track’** to be a significant trend.

- **The use of social networks for marketing continues to grow**. The percentage of company respondents who say they use Facebook for marketing now stands at 84%, up from 73% last year. Three-quarters (74%) of North American agencies say their clients run PPC campaigns on **Facebook**.
  - Three quarters of companies (75%) use **Twitter** to promote their companies or brands.
  - Half of companies (52%) use **LinkedIn** for marketing, and more than a quarter (27%) of companies now use this business networking site specifically for PPC campaigns.

- **More companies are outsourcing search and social media**. There has been a decrease in the number of companies doing SEO, paid search and social media in-house, with more marketers seeking help from service providers.
  - Only 44% of companies are now carrying out search engine optimization in-house, compared to 51% last year. Only 38% of companies are doing paid search marketing in-house compared to 47% in 2010. Only 55% are doing social media marketing in-house, compared to 62% a year ago.

- Companies and agencies are increasingly using **third party bid management technology** for paid search marketing. Just under half of responding companies conducting search engine marketing rely on basic tools, such as **search engine tools and Excel**. This percentage has been gradually decreasing in the last three years, from 57% in 2009 to 49% this year.

- **Google’s** dominance as a search engine is clear from both advertiser and agency results, with the vast majority of companies (95%) paying to advertise on **Google AdWords**.

- Companies outside the US and Canada are more likely than those in North America to say that ROI from Google has increased in the last year – 41% compared to 26% for North American companies.

Budgets, spending and ROI

- More than half of companies (54%) expect increased spending on SEO this year, while only 10% expect to spend less. On average, companies expect to spend 43% more on SEO in 2011 than they did in 2010, the same average increase as was anticipated for 2010 in last year’s survey.
While a larger proportion of companies anticipate increased spending on PPC, companies expect to spend 31% more on average on PPC, less than the 37% average increase anticipated 12 months ago for 2010.

Companies are less likely to spend large percentages of their paid search budgets on international and local markets, focusing mostly on national campaigns. Around half of organizations (48%) do not spend anything on foreign markets, while over a third (37%) have no focus on local markets.

On average, companies spend more than half of their budgets (58%) on national paid search advertising, compared to only 19% for international PPC spend. Agencies note that their clients spend a larger percentage of their budgets on local search than companies themselves indicate (34% compared to 23% for companies).

Social media marketing budgets have slightly increased since last year, but are still modest compared to search engine optimization and paid search. Almost two thirds of companies (64%) say social media budgets will increase in 2011, compared to only 4% who anticipate decreases.

The proportion of companies who are allocating new budgets for SEO and paid programs has increased by 4% in the last 12 months. As the economy is improving and companies realize that traditional channels play an important role in creating demand for digital channels, there is less of an imperative to shift budgets from other programs.

Search engines

- Google is being increasingly challenged by Facebook, with just under half of companies using the social media site to run their PPC campaigns – 47% in North America and 45% in the rest of the world.
- Around three quarters of North American agencies (74%) and two thirds of those outside the US and Canada (69%) say their clients use Facebook for paid search.
- More than a fifth of North American respondents (22% of companies and 27% of agencies) consider the impact of the alliance to be positive, while only 8% deem it as negative. The top potential benefits mentioned by advertisers and agencies alike include better return on investment, cheaper CPC and more volume/traffic. Just under half of North American companies and agencies (43%) say that the Microsoft / Yahoo Search Alliance doesn’t have any impact on their paid search marketing activity.
- Outside North America, where the merger hasn’t yet been rolled out, the performance of Yahoo has continued to deteriorate, with only 21% of both advertisers and agencies saying that conversion rates have improved since 2010 and over a third of companies saying that they are worse.
- Out of a range of Google features, local results (55%), multiple listings (47%) and maps (42%) are considered to have the most significant impact on companies’ search performance. Around half of client-side respondents use location-based ads (49%) to enhance their paid search performance, while product listings and product extensions are the least used Google features.

Social media

- Although the proportion of companies carrying out social media marketing has increased from 72% in 2010 to 74% this year, 9% more respondents are treating social media and search engine marketing as two separate activities.
- Business-to-business organizations are less likely to carry out any social media marketing activity, missing a significant opportunity.
Over half of companies surveyed (52%) say that social media has had a moderate (41%) or huge (11%) impact on their search engine marketing activity in the last year, compared to 80% of agencies.

A significantly larger proportion of company respondents than last year are using Facebook (+11%) to promote their brands or companies. Usage of YouTube (+4%), LinkedIn (+3%) and Twitter (+2%) has also slightly increased in the last 12 months.

Other findings include:

- The proportion of companies engaging in search engine optimization (86%) and paid search marketing (79%) has slightly decreased since 2010 (by 4% and 2%, respectively), while the number of those carrying out social media has increased by 2%.
- The number of agencies managing paid search marketing and social media marketing on behalf of their clients has increased since 2010, by 1% and 6%, respectively.
- There has been a significant increase in the proportion of companies saying that social media activity is primarily aimed at improving customer service and satisfaction, from 8% in 2010 to 13% this year. Fewer companies than last year say social media is about generating leads (-4%), but 3% more agencies than in 2010 say this is the main objective.

Other related Econsultancy reports and content

SEO Trends: Issues and Opportunities
http://econsultancy.com/reports/seo-trends-issues-and-opportunities

Internet Statistics Compendium

Search Engine Marketing Statistics
http://econsultancy.com/reports/search-marketing-statistics

Search Engine Optimization Best Practice Guide

Paid Search Marketing Best Practice Guide

Value of Social Media Report

Social Media and Online PR Report
http://econsultancy.com/reports/social-media-and-online-pr-report

Search Engine Marketing: SEO - Digital Template files
http://econsultancy.com/reports/search-engine-marketing-seo-digital-marketing-template-files

Search Engine Marketing: Paid Search – Digital Template files
http://econsultancy.com/reports/search-engine-marketing-ppc-digital-marketing-template-files
2. **Introduction by Econsultancy**

The seventh 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 to 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?

\(^2\) Econsultancy uses Clicktools for its online surveys.

\(^3\) For some sections, we provide US/Canada company breakouts for point of comparison because the sample size for North America allows us to 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.

From a range of trends and technologies which are impacting the search marketing industry, company respondents are most likely to say that the rise of mobile internet is having an impact, outpacing personalization of search results, which was seen as the most significant trend in 2010. The proportion of companies deeming it ‘highly significant’ or ‘significant’ has increased by 14% since 2010, to more than three-quarters (79%) this year [Figure 3].

Companies

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

<table>
<thead>
<tr>
<th>Trend</th>
<th>Highly Significant</th>
<th>Significant</th>
<th>Not Significant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rise of mobile internet</td>
<td>21%</td>
<td>43%</td>
<td>36%</td>
</tr>
<tr>
<td>Personalization of search results</td>
<td>20%</td>
<td>26%</td>
<td>54%</td>
</tr>
<tr>
<td>Behavioral targeting</td>
<td>23%</td>
<td>47%</td>
<td>30%</td>
</tr>
<tr>
<td>Rise of local search</td>
<td>39%</td>
<td>31%</td>
<td>30%</td>
</tr>
<tr>
<td>Real-time search</td>
<td>42%</td>
<td>33%</td>
<td>24%</td>
</tr>
<tr>
<td>User uptake of Do Not Track</td>
<td>47%</td>
<td>48%</td>
<td>15%</td>
</tr>
<tr>
<td>Video search</td>
<td>39%</td>
<td>47%</td>
<td>14%</td>
</tr>
<tr>
<td>Compart / time of day targeting</td>
<td>14%</td>
<td>14%</td>
<td>72%</td>
</tr>
<tr>
<td>Microsoft / Yahoo Search Alliance</td>
<td>55%</td>
<td>47%</td>
<td>8%</td>
</tr>
<tr>
<td>Increased integration with display and other channels</td>
<td>10%</td>
<td>36%</td>
<td>54%</td>
</tr>
</tbody>
</table>

Respondents: 243
The debate over behavioral targeting, the use of cookies and their impact on users’ privacy has received a lot of attention in the last few months. The ‘Do Not Track’ mechanism proposed by the Federal Trade Commission, allowing web users to choose if they want to have their online behavior tracked for marketing / advertising purposes, is expected to have a tremendous impact on how online marketing activities are carried out.

**Behavioral targeting** is regarded as the third most significant trend in search marketing, with 10% more companies and 2% more agencies than last year describing it as having a ‘highly significant’ or ‘significant’ impact. More than half of company marketers (58%) deem user uptake of ‘Do Not Track’ to be a significant trend.

**Real-time search** has also increased in importance for client-side respondents, with 8% more companies deeming it as a significant trend. However, fewer agencies than last year (-7%) consider it to be significant. While companies are still trying to understand what real-time search is and how it impacts their search marketing efforts, it seems that agencies have already assessed the impact and concluded that it’s not as significant as previously expected.

From both the advertiser and agency perspective, neither Google Instant nor the Microsoft / Yahoo Search Alliance have had a significant impact.

Agency respondents [Figure 4] see the rise of local search a more significant trend than companies do, with 84% of agencies saying that this is significant, compared to 62% of companies.4

**Company trends**

**Figure 3**: Change since 2010 in proportion of companies describing the impact of various trends and technologies as ‘highly significant’ or ‘significant’

![Bar chart showing changes in proportion of companies describing the impact of various trends and technologies as ‘highly significant’ or ‘significant’](image)

Note: ‘Increased integration with display and other channels’, ‘user uptake of Do Not Track’, ‘Google Instant’ and ‘Microsoft/Yahoo Search Alliance’ were new options for 2011 and therefore cannot be compared to 2010.

4 Google’s recent announcements including its algorithm change and launch of +1 “social tagging” of organic and paid search results occurred after this survey was closed.
Agencies

Figure 4: In the context of your search marketing efforts, how would you describe the impact of the following trends and technologies?

![Bar chart showing the impact of various trends and technologies in search marketing.](chart)

- **Rise of mobile internet**: 16% highly significant, 16% significant, 23% not significant
- **Rise of local search**: 41% highly significant, 45% significant, 31% not significant
- **Personalization of search results**: 47% highly significant, 30% significant, 30% not significant
- **Real-time search**: 26% highly significant, 37% significant, 29% not significant
- **Video search**: 37% highly significant, 50% significant, 29% not significant
- **Search in time of day targeting**: 48% highly significant, 39% significant, 49% not significant
- **Use of ‘Do Not Track’**: 43% highly significant, 35% significant, 39% not significant
- **Microsoft’s Voice Search Alliance**: 47% highly significant, 39% significant, 52% not significant

Respondents: 470
Agency trends

Figure 5: Change since 2010 in proportion of agencies describing the impact of various trends and technologies as 'highly significant' or 'significant'

Note: ‘Increased integration with display and other channels’, ‘user uptake of Do Not Track’, ‘Google Instant’ and ‘Microsoft/Yahoo Search Alliance’ were new options for 2011 and therefore cannot be compared to 2010.
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*].

The number of organizations engaging in SEO has gradually decreased in the last three years, from 91% in 2009 to 86% in 2011. This decline can be partly explained by the fact that some companies believe that carrying out SEO activity is not necessary as long as they have good content on their website.

*Figure 6*: Which of the following types of activity does your organization carry out?

![Bar chart showing the proportion of companies engaging in different types of marketing activity](chart)
Company trends

Figure 7: Which of the following types of activity does your organization carry out?

Note: ‘Social media marketing' was a new option from 2010.
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.

For SEO, the percentage has gradually decreased in the last four years, from 91% in 2008 to 83% in 2011. This matches the decline in companies carrying out SEO shown earlier in Figure 7.

Additionally, SEO activity is increasingly concentrated in the hands of SEO specialists rather than generic digital agencies.

Agencies

Figure 8: Which of the following types of activity does your company manage on behalf of clients?
Agency trends

Figure 9: Which of the following types of activity does your organization manage on behalf of clients?

Note: 'Social media marketing' was a new option from 2010.
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 website 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%).

As organizations come to the realization that success in selling and generating leads has more to do with on-site conversion rate optimization than SEO, a lower proportion of companies view sales and lead generation as primary SEO objectives. That is not to diminish the importance of SEO in getting that traffic in the first place, or to overlook the fact that traffic has an inherent value for publishers.

A larger proportion of companies than last year consider increased brand awareness and enhanced reputation to be primary SEO objectives, having increased from 6% in 2010 to 10% in 2011. Better brand awareness is much more likely to be a secondary SEO objective than a primary one. Just over a fifth of company respondents (22%) say this is the second most important objective [Figure 11].

On the supply-side [Figure 12], the most frequently cited primary SEO objective is generating leads, having increased by 3% since 2010.

Companies

Figure 10: What is the most important objective your company is trying to achieve through search engine optimization?
Companies

Figure 11: What is the second most important objective your company is trying to achieve through search engine optimization?

![Bar chart showing the second most important objective for companies in 2010 and 2011.]

Respondents 2011: 213
Respondents 2010: 365

Agencies

Figure 12: What is the most important objective your clients are trying to achieve through search engine optimization?

![Bar chart showing the most important objective for agencies in 2010 and 2011.]

Respondents 2011: 401
Respondents 2010: 630
Agencies

Figure 13: What is the second most important objective your clients are trying to achieve through search engine optimization?

Respondents 2011: 401
Respondents 2010: 630
7.3.2. **Objectives for paid search**

*Generating leads* (40%) is the most important paid search marketing objective for client-side respondents, followed closely by *selling products, services or content directly online* (35%) [Figure 14].

*Driving web site traffic and increasing brand awareness* are more likely to be secondary objectives for PPC activity [Figure 15]. Just under a fifth of companies (19%) say that *driving web site traffic* is a primary PPC objective, compared to more than a third (35%) that say this is the second most important objective.

Looking at the supply-side chart [Figure 17], a lower proportion of agency respondents say that *driving web site traffic* is a secondary objective for their clients – 26% of agencies compared to 35% of companies.

**Companies**

Figure 14: What is the most important objective your company is trying to achieve through paid search?

![Graph showing the most important objectives for paid search marketing in 2010 and 2011.](image)

- **Generate leads**: 37% (2010), 40% (2011)
- **Sell products, services or content directly online**: 39% (2010), 36% (2011)
- **Drive traffic to site**: 17% (2010), 19% (2011)
- **Increase brand awareness/enhance reputation**: 5% (2010), 4% (2011)
- **Improve customer service/satisfaction**: 2% (2010), 2% (2011)

Respondents 2011: 213
Respondents 2010: 318
Companies

Figure 15: What is the second most important objective your company is trying to achieve through paid search?

Agencies

Figure 16: What is the most important objective your clients are trying to achieve through paid search?
Agencies

Figure 17: What is the second most important objective your clients are trying to achieve through paid search?

- Generate leads: 32% (2010), 29% (2011)
- Sell products, services or content directly online: 23% (2010), 27% (2011)
- Drive traffic to website: 26% (2010), 26% (2011)
- Increase brand awareness / enhance reputation: 17% (2010), 15% (2011)
- Improve customer service / customer satisfaction: 3% (2010), 2% (2011)

Respondents: 353
Respondents 2010: 532
7.3.3. Objectives for social media marketing

*Increased brand awareness and enhanced reputation* is the most important objective for social media marketing, with just over half of company and agency respondents (both 51%) deeming it to be the top goal.

*Improved customer service and satisfaction* is a more significant objective for social media marketing than for SEO and PPC, with 34% of companies and 38% of agencies [Figure 20 and 21] saying that it’s among the top two goals for this type of marketing. There has been a significant increase in the proportion of companies saying that social media activity is primarily aimed at improving customer service and satisfaction, from 8% in 2010 to 13% this year.

Interestingly, fewer companies than last year say social media is about generating leads, but more agencies [Figure 20] than in 2010 say this is the main objective.

Companies

Figure 18: What is the most important objective your company is trying to achieve through social media marketing?

![Bar chart showing objectives for social media marketing](chart.png)

- **Increase brand awareness/ enhance reputation**
  - 51% (2010)
  - 51% (2011)

- **Drive traffic to site**
  - 17% (2010)
  - 19% (2011)

- **Improve customer service/ customer satisfaction**
  - 9% (2010)
  - 13% (2011)

- **Generate leads**
  - 16% (2010)
  - 12% (2011)

- **Sell products or content directly online**
  - 8% (2010)
  - 4% (2011)

Respondents 2011: 185
Respondents 2010: 281
Companies

Figure 19: What is the second most important objective your company is trying to achieve through social media marketing?

<table>
<thead>
<tr>
<th>Objective</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase brand awareness/ enhance reputation</td>
<td>25%</td>
<td>23%</td>
</tr>
<tr>
<td>Drive traffic to web site</td>
<td>23%</td>
<td>29%</td>
</tr>
<tr>
<td>Improve customer service/customer satisfaction</td>
<td>27%</td>
<td>21%</td>
</tr>
<tr>
<td>Generate leads</td>
<td>21%</td>
<td>21%</td>
</tr>
<tr>
<td>Sell products, services or content directly online</td>
<td>10%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Respondents 2011: 185
Respondents 2010: 281

Agencies

Figure 20: What is the most important objective your clients are trying to achieve through social media marketing?

<table>
<thead>
<tr>
<th>Objective</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase brand awareness/ enhance reputation</td>
<td>57%</td>
<td>51%</td>
</tr>
<tr>
<td>Drive traffic to web site</td>
<td>13%</td>
<td>16%</td>
</tr>
<tr>
<td>Generate leads</td>
<td>13%</td>
<td>16%</td>
</tr>
<tr>
<td>Improve customer service/customer satisfaction</td>
<td>6%</td>
<td>11%</td>
</tr>
<tr>
<td>Sell products, services or content directly online</td>
<td>8%</td>
<td>8%</td>
</tr>
</tbody>
</table>

Respondents 2011: 377
Respondents 2010: 499
Agencies

Figure 21: What is the second most important objective your clients are trying to achieve through social media marketing?

Respondents 2011: 377
Respondents 2010: 499
7.3.4. Metrics for measuring search engine optimization

Similarly to last year, site traffic metrics (57%) and conversion rate (33%) are the two most important metrics for measuring the success of search engine optimization.

Click-through rate and page rank are among the metrics which have increased in importance since last year with, respectively, 6% and 7% more companies citing them among the top three types of measurement they use.

Similarly, a slightly larger proportion of companies consider customer satisfaction/advocacy (+4%) and brand awareness (+1%) to be important metrics for gauging SEO success.

Supply-side respondents [Figure 24] are more likely than company participants to consider return on investment (28% compared to 15% of companies) and position (37% compared to 27%) as being among the three most important metrics.

On both the client- and supply-side, number of sales / leads has registered a major decrease since last year, with 12% and 11%, respectively fewer respondents considering this as an important measure of success [Figure 25].

Companies

Figure 22: What are the three most important metrics you use for gauging the success of search engine optimization?

Respondents: 212
Company trends

Figure 23: Change since 2010 in proportion of companies using various metrics to gauge the success of search engine optimization

Note: 'Number of links' and 'cost-per-sale' were new options for 2011 and therefore cannot be compared to 2010.

Agencies

Figure 24: What are the three most important metrics your clients use for gauging the success of search engine optimization?

Respondents: 399
Agency trends

Figure 25: Change since 2010 in proportion of agencies using various metrics to gauge the success of search engine optimization

Note: ‘Number of links’ and ‘cost-per-sale’ were new options for 2011 and therefore cannot be compared to 2010.
### 7.3.5. Metrics for measuring paid search marketing

*Conversion rate* is the most important metric for measuring the success of paid search marketing, with 59% of companies and 50% of agencies saying that this is one of the top three metrics they use.

Compared to last year, both company and agency respondents are less likely to consider *return on investment* as one of the three most important metrics. The proportion of companies citing ROI has decreased by 6%, while the number of agencies citing this has declined by 10%.

#### Companies

**Figure 26: What are the three most important metrics you use for gauging the success of paid search marketing?**
Company trends

Figure 27: Change since 2010 in proportion of companies using various metrics to gauge the success of paid search marketing

Note: ‘Cost-per-sale’ was a new option for 2011 and therefore cannot be compared to 2010.

Agencies

Figure 28: What are the three most important metrics your clients use for gauging the success of paid search marketing?

Respondents: 349
Agency trends

Figure 29: Change since 2010 in proportion of agencies using various metrics to gauge the success of paid search marketing

Note: ‘Cost-per-sale’ was a new option for 2011 and therefore cannot be compared to 2010.
7.3.6. Metrics for measuring social media marketing

Branding awareness and customer engagement are the most important metrics for gauging the success of social media marketing. Seventy-three per cent of companies (a 11% increase since 2010) and 62% of agencies [Figure 32] say that brand awareness is one of the top three metrics they use for social media. Customer engagement is cited by 65% of companies and 62% of agencies.

These findings are in line with those outlined in Section 7.3.3., namely that increased brand awareness and enhanced reputation is the most important objective for social media marketing.

The proportion of both companies and agencies that deem site traffic metrics as important has declined in the last 12 months, by 6% and 9% for companies and agencies respectively. Simply increasing the number of web site visitors is no longer viewed as one of the most important measures of success.

It is noteworthy that the proportion of agency respondents that consider conversion rate a key metric for measuring social media marketing has increased by 5% since 2010, while brand awareness is important for 7% fewer agencies [Figure 33].

Companies

Figure 30: What are the three most important metrics you use for gauging the success of social media marketing?

![Bar chart showing metrics for social media marketing](Image)
Company trends

Figure 31: Change since 2010 in proportion of companies using various metrics to gauge the success of social media marketing

Note: ‘Cost-per-sale’ was a new option for 2011 and therefore cannot be compared to 2010.

Agencies

Figure 32: What are the three most important metrics your clients use for gauging the success of social media marketing?

Respondents: 375
Agency trends

Figure 33: Change since 2010 in proportion of agencies using various metrics to gauge the success of social media marketing

Note: ‘Cost-per-sale’ was a new option for 2011 and therefore cannot be compared to 2010.
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 34: What was your company’s budget for search engine optimization (organic search) in 2010? (Including agency, staff and technology costs)

Note: 2010 series shows last year’s data for 2009 budgets.
Figure 35: Spend on search engine optimization by company size (revenue)

Companies – US and Canada only

Figure 36: What was your company’s budget for search engine optimization (organic search) in 2010 (Including agency, staff and technology costs)

Note: 2010 series shows last year’s data for 2009 budgets.
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.

Encouragingly, the proportion of companies spending more than 40% of their natural search budgets with agencies has increased by 14% in the last 12 months (from 22% to 36%). Fourteen per cent of responding companies spend between 91% and 100% of their SEO budgets with agencies.

Companies

*Figure 37*: What percentage of your SEO budget is spent with an agency or agencies?
7.4.3. Change in budgets for search engine optimization

Companies are slightly more likely than they were a year ago to be anticipating increased SEO spending – 54% of respondents compared to 52% in 2010.

Eleven per cent of companies expect to spend between 50% and 100% more on search engine optimization in 2011.

From the supply-side perspective, three quarters of agency respondents anticipate that their clients will spend more on SEO this year and this proportion has increased by 6% in the last 12 months [Figure 40]. One fifth say spending will be ‘about the same’, and fewer agencies (-2%) say that their clients will spend less.

Companies

Figure 38: How much more or less do you expect to spend on search engine optimization in 2011 compared to 2010?

![Bar chart showing budget changes expected for 2011 compared to 2010.](chart)

- 39% expect to spend 10% more
- 36% expect to spend about the same
- 13% expect to spend 20% more
- 12% expect to spend 30% more
- 12% expect to spend 40% more
- 11% expect to spend 50% to 100% more
- 3% expect to spend twice as much
- 4% expect to spend more than twice as much
- 5% expect to spend 10% less
- 4% expect to spend 20% less
- 2% expect to spend 50% to 100% less
- 2% expect to spend 90% or less

Note: 2010 series shows budget changes expected for 2010 compared to 2009.
Companies – US and Canada only

Figure 39: How much more or less do you expect to spend on search engine optimization in 2011 compared to 2010?

Note: 2010 series shows budget changes expected for 2010 compared to 2009.

Agencies

Figure 40: How much more or less do you expect your clients to spend on search engine optimization in 2011 compared to 2010?

Note: 2010 series shows budget changes expected for 2010 compared to 2009.
7.4.4. Expected search engine optimization billings

More than half of responding agencies (56%) say their gross billings attributable to SEO in 2011 will be more than $100,000. Compared to last year, the proportion of supply-side respondents expecting to bill more than $1 million has remained the same (13%).

Agencies

Figure 41: What do you expect your firm’s gross billings will be in 2011 that are attributable to search engine optimization programs?

Note: 2010 series shows gross billings expected for 2010.

Respondents 2011: 429
Respondents 2010: 703
7.4.5. **Budget for paid search in 2010**

*Figure 42* shows companies’ annual budgets for paid search. A larger proportion of organizations said they had spent at least $1 million in the past year on paid search – 29% compared to 20% in 2010.

Just under a third of responding agencies (29%) expect the average client to spend more than $100,000 on paid search programs [*Figure 45*]. The proportion of supply-side respondents that anticipate clients to spend less than $10,000 has decreased by 6% since 2010.

**Companies**

*Figure 42: What was your company’s budget for paid search (PPC) in the last year? (Including media, agency, staff and technology costs)*

![Bar chart showing budget distribution for paid search in 2010 and 2011](image)

**Note:** 2010 series shows last year’s data for 2009 budgets.
Figure 43: Budget for paid search by company size (revenue)

Companies – US and Canada only

Figure 44: What was your company’s budget for paid search (PPC) in 2010? (Including media, agency, staff and technology costs)

Respondents 2011: 120
Respondents 2010: 262
Agencies

Figure 45: Approximately how much will your average client spend with you gross on paid search programs in 2011?

Respondents 2011: 375
Respondents 2010: 600
7.4.6. Media spend for paid search

Just under a third of organizations (30%) say their paid search media spend was in excess of one million dollars in 2010.

Just over a quarter of company respondents (27%) say that their total media spend for paid search in 2010 was under $25,000, including 3% who say their media spend was zero.

On the agency side, the majority of respondents (61%) expect their clients’ paid search media spend to be less than $500,000 in 2011, including 40% who expect it to be less than $100,000.

Just under a third of agencies (28%) say their clients will spend more than one million dollars in 2011.

Companies

Figure 46: What was your company’s total media spend for paid search (PPC) in 2010?

Note: This was a new question for 2011, so there is no trend data available.
Agencies

Figure 47: What will your clients’ total paid search media spend be in 2011?

Note: This was a new question for 2011, so there is no trend data available.
7.4.7. Change in budgets for paid search

More than half of client-side respondents (56%) expect to spend more on paid search in 2011 compared to 2010, while 10% say they will spend less.

Compared to last year’s results, a larger proportion of companies anticipate their spending on PPC to increase (56% compared to 50% in 2010).

Companies

Figure 48: How much more or less do you expect to spend on paid search in 2011 compared to 2010?

Note: 2010 series shows budget changes expected for 2010 compared to 2009.
Companies – US and Canada only

Figure 49: How much more or less do you expect to spend on paid search in 2011 compared to 2010?

Respondents 2011: 118
Respondents 2010: 262

Note: 2010 series shows budget changes expected for 2010 compared to 2009.

Agencies

Figure 50: How much more or less do you expect your clients to spend on paid search in 2011 compared to 2010?

Respondents 2011: 379
Respondents 2010: 600

Note: 2010 series shows budget changes expected for 2010 compared to 2009.
7.4.8. Average change in SEM budgets

On average, companies expect to spend 43% more on search engine optimization in 2011 than they did in 2010 [Figure 51]. This was the same average increase as for the 2010 report.

The paid search market is not as buoyant as last year, as client-side respondents anticipate spending to be 31% higher on average, a significant decline from 37% in 2010.

Company trends

Figure 51: How much more or less do you expect to spend on search engine marketing this year compared to last year? (Average)
7.4.9. Expected paid search billings

The proportion of responding agencies expecting to bill at least $1 million from paid search programs has decreased by 10% in the last 12 months, from 27% to 17%.

The vast majority of supply-side respondents (73%) anticipate their billings from this service to be less than $500,000, with 43% saying they will be less than $100,000.

Agencies

Figure 52: What do you expect your firm’s gross billings to be in 2011 that are attributable to paid search programs?

Note: 2010 series shows gross billings expected for 2010.
7.4.10. **Change in prices for paid search ads**

More companies than last year say they observed a change in the prices for paid search ads for the keywords they routinely bid on. The most significant increase has been in the proportion of organizations saying that costs are now 20% higher – from 18% in 2010 to 24% this year. Just under a third of responding companies (30%) say that prices are ‘about the same’.

The corresponding results for agencies are shown in Figure 55. A significantly larger proportion of supply-side respondents than last year (71% compared to 57% in 2010) say that prices for paid search ads have increased in the last 12 months.

Supply-side respondents are also most likely to suggest that prices have increased by around 20%, with just under a third of agencies (30%) saying that they’ve observed this level of increase.

When Google released the financial results for the fourth quarter of 2010, the company revealed that the average cost-per-click on its web properties increased approximately 5% over the fourth quarter of 2009 and 4% over the third quarter of 2010.

**Companies**

Figure 53: Have you observed a change in the prices for paid search ads for the keywords you routinely bid on? Compared to 12 months ago, costs are now ...

---

**Figure 55:**

- **2010:** 219 respondents
- **2011:** 374 respondents

*Note: 2010 series shows changes in prices in 2010 compared to 2009.*

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Companies – US and Canada only

Figure 54: Have you observed a change in the prices for paid search ads for the keywords you routinely bid on? Compared to 12 months ago, costs are now ...

![Bar chart showing changes in prices for paid search ads from 2010 to 2011.]

Note: 2010 series shows changes in prices in 2010 compared to 2009.

Agencies

Figure 55: Have you observed a change in the prices for paid search ads for the keywords you routinely bid on? Compared to 12 months ago, costs are now ...

![Bar chart showing changes in prices for paid search ads from 2010 to 2011.]

Note: 2010 series shows changes in prices in 2010 compared to 2009.
Geographical focus of paid search budgets

Overall, companies are less likely to spend large percentages of their paid search budgets on international and local markets, focusing mostly on national ones. Almost half of companies surveyed (48%) do not spend anything on foreign markets, while just over a third (37%) do not focus on local markets.

More than half of company respondents (55%) are spending at least 61% of their total paid search budgets with a national focus in mind, compared to only 12% who spend this level of budget on international markets.

Table 1 shows the average percentage of total paid search budgets companies and agency clients spend on different types of geographical markets. On average, companies spend more than half of their budgets (58%) on national paid search advertising, compared to only 19% for international PPC spend.

According to agencies, their clients spend a larger percentage of their budgets on local search than companies themselves indicate (34% compared to 23% for companies).

Companies

Figure 56: What percentage of your total paid search budget is spent with the following types of geographical focus in mind?

Note: This was a new question for 2011, so there is no trend data available.
Table 1: Average percentage of total paid search budget that is spent with the following types of geographical market in mind

<table>
<thead>
<tr>
<th></th>
<th>International</th>
<th>National</th>
<th>Local</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies</td>
<td>19%</td>
<td>58%</td>
<td>23%</td>
</tr>
<tr>
<td>Agencies</td>
<td>12%</td>
<td>54%</td>
<td>34%</td>
</tr>
</tbody>
</table>

**Agencies**

**Figure 57**: Typically, what percentage of your clients’ total paid search budget is spent with the following types of geographical focus in mind?

---

**Note**: This was a new question for 2011, so there is no trend data available.
7.4.12. Proportion paid to SEM service provider

The chart below shows the typical percentage paid to SEM service providers for paid search programs on top of the ad spend with search engines.

It is clear that some advertisers are paying significantly more than others in agency commission.

Almost half of company respondents say they pay agencies a flat fee, while just over a fifth (21%) pay less than 5%.

Companies

Figure 58: What is the typical percentage you pay to your SEM service provider for paid search programs on top of the ad spend with search engines?

Respondents: 195
Company trends

Figure 59: What is the typical percentage you pay to your SEM service provider for paid search programs on top of the ad spend with search engines?

Agencies

Figure 60: What is the typical percentage you charge for paid search on top of the ad spend with search engines?

Respondents: 341
7.4.13. **Budget for social media marketing in 2010**

Social media marketing budgets have slightly increased since last year, but are still modest compared to search engine optimization and paid search. Just under three quarters of company respondents (71%) had a budget of less than $25,000 for social media marketing in 2010, including 18% who said they haven’t allocated any budgets for this. The proportion of companies whose budgets were zero has decreased by 5%.

*Figure 62* shows the results for North American companies, while *Figure 63* shows the breakdown of results by size of companies.

**Company**

**Figure 61:** What was your company’s budget for social media marketing in the past 12 months?

![Budget for social media marketing in 2010](image-url)
Companies – US and Canada only

Figure 62: What was your company’s budget for social media marketing in the past 12 months?

![Bar chart showing budget for social media marketing by company size (revenue).](chart1)

Respondents 2011: 98
Respondents 2010: 262

Figure 63: Budget for social media market by company size (revenue)

![Bar chart showing budget for social media marketing by company size (revenue).](chart2)
7.4.14. **Change in social media spend**

The figure below shows the anticipated spend on social media marketing in 2011. Around a third of company respondents (32%) say the budget will be the same, while almost two thirds (64%) say budgets will increase. Similarly to last year, only 4% say that budgets for social media marketing will decrease. Approximately 5% more companies than last year anticipate budget increases (64% compared to 59% in 2010).

The supply-side perspective [Figure 65] reveals a slightly less buoyant outlook, with 61% of agencies saying their clients’ budgets for social media marketing will increase.

The proportion of North American companies expecting to spend more on social media has increased by 4%, from 57% in 2010 to 61% this year [Figure 65].

**Companies**

**Figure 64: How much more or less do you expect to spend on social media marketing in 2011 compared to 2010?**

![Graph showing expected changes in social media spend](image-url)

Respondents 2011: 191
Respondents 2010: 304
Companies – US and Canada only

Figure 65: How much more or less do you expect to spend on social media marketing in the next year compared to the previous year?

Agencies

Figure 66: How much more or less do you expect your clients to spend on social media marketing in 2011 compared to 2010?
7.4.15. Expected social media billings

The figure below shows expected social media marketing billings in the next 12 months, compared to last year’s results. More than half of agencies (56%) carrying out social media marketing on behalf of their clients expect to earn less than $100,000 from this in 2011.

Exactly a quarter of responding agencies expect to earn between $100,000 and $500,000. Compared to last year, the proportion of supply-side respondents who expect their billings to be in excess of half a million dollars has increased by 7% (from 13% to 20%).

Agencies

Figure 67: What do you expect your firm’s gross billings will be in the next year that are attributable to social media marketing?

![Bar chart showing expected social media billings](chart.png)

Respondents 2011: 390
Respondents 2010: 534
7.4.16. Budget for paid search programs

*Figure 68 shows whether the budget for companies’ paid search programs is newly allocated, money shifted away from other marketing budgets or a combination of new and re-allocated budget.*

Just under half of responding companies (46%) say this budget is a combination of new and re-allocated budget and this percentage has been gradually increasing in the last five years, from 30% in 2007.

The proportion of respondents who say this is newly allocated budget has increased by 4% since 2010 to 34% this year, while the number of companies shifting budgets from other areas has declined by 5%.

The economy is slowly improving, so there is less of an imperative to axe traditional offline media budgets. Companies are gradually coming to the realization that there comes a moment when they can’t keep re-allocating offline budgets to search engine marketing, since traditional brand advertising is still needed to create demand across digital channels.

The majority of supply-side respondents (57%) say their clients’ budgets for paid search programs are typically a mixture of new and re-allocated budget [*Figure 69*].

Company trends

*Figure 68: Where is the budget coming from for your paid search programs?*
Agencies

Figure 69: Where is the budget coming from for your clients’ paid search programs?

Note: Trend data available for 2010 only.

Respondents 2011: 365
Respondents 2010: 571
7.4.17. Budget for SEO programs

Budgets for search engine optimization programs are more likely to be *shifted away from other marketing budgets* than is the case for paid search (28% for SEO compared to 20% for PPC). Just under half of companies (43%) say that SEO budgets are *newly allocated*.

Only 10% of respondents say that SEO budgets consist of a combination of newly allocated and money shifted away from other marketing and web site programs. This percentage has significantly decreased from 33% in 2010.

The supply-side perspective [Figure 71] is very different, with almost half of responding agencies (42%) saying that their clients’ SEO budgets are ‘a combination’. One quarter of agencies surveyed say that these budgets are *newly allocated* and the same proportion say they are shifted from other marketing budgets. Only 7% of agencies say that SEO budgets consist of *money shifted from other web site programs*.

Company trends

Figure 70: Where is the budget coming from for your SEO programs?
Agencies

Figure 71: Where is the budget coming from for your clients’ SEO programs?

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newly allocated budget</td>
<td>23%</td>
<td>41%</td>
</tr>
<tr>
<td>Money shifted away from other marketing budgets</td>
<td>30%</td>
<td>25%</td>
</tr>
<tr>
<td>Money shifted from other website programs</td>
<td>5%</td>
<td>7%</td>
</tr>
<tr>
<td>A combination of the above</td>
<td>25%</td>
<td>25%</td>
</tr>
</tbody>
</table>

Note: Trend data available for 2010 only.

Respondents 2011: 418
Respondents 2010: 671
7.4.18.  **Budget for social media programs**

Nearly half (46%) of responding companies say their budgets for social media programs are *newly allocated*. Just under a quarter (23%) say they consist of *money shifted away from other marketing budgets*, while 4% of organizations shift money from *other website programs*.

Just over a quarter of respondents (27%) say that social media budgets represent a mixture of newly allocated budget and money shifted away from other marketing budgets and website programs.

Agency results are similar, but just under a third of supply-side respondents say their clients’ social media budgets are newly allocated. Ten per cent more agencies than companies say that these budgets are ‘a combination’.

**Companies**

Figure 72: Where is the budget coming from for your social media programs?

![Chart showing budget allocation]

- Newly allocated budget
- A combination of the above
- Money shifted away from other marketing budgets
- Money shifted from other website programs

Respondents: 191

*Note: This was a new question for 2011, so there is no trend data available.*
Agencies

Figure 73: Where is the budget coming from for your clients’ social media programs?

![Graph showing budget allocation]

- 32%: Newly allocated budget
- 27%: A combination of the above
- 5%: Money shifted away from other marketing budgets
- 37%: Money shifted from other web site programs

Respondents: 392

Note: This was a new question for 2011, so there is no trend data available.
7.4.19. **Shift in budget**

More than half of company respondents (53%) are shifting budgets from *print advertising* to their search marketing and/or social media programs. Just under a third (29%) are shifting money from *direct mail* and around a fifth are moving budgets from *TV advertising* (22%), *conferences and exhibitions* (21%) and *web display advertising* (20%).

Compared to last year [*Figure 75*], more companies are shifting budgets from *affiliate marketing* (+6%), *paid listing on shopping directories* (+5%), *TV advertising* (+4%) and *print advertising* (+4%).

The most significant decreases have been in the proportion of companies moving budgets from *direct mail* (-6%) and *web site development* (-4%).

**Companies**

*Figure 74:* From which marketing/IT programs are you shifting budget away and moving it to your search marketing and/or social media programs?

![Diagram showing budget shifts]

**Respondents:** 146
Company trends

Figure 75: Change since 2010 in the proportion of companies shifting budget away from other marketing/IT programs and moving it to their search marketing and/or social media programs
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.

Just under three quarters of respondents (74%) pay to advertise on the Google search network, while 66% use the keyword targeted Google content network. The next most widely used web property by North American companies is the Search Alliance (i.e. Bing and Yahoo), with 70% of respondents saying they use these now merged platforms to run PPC campaigns.

A significant percentage of companies are now using Facebook, challenging Google’s dominance. Just under half of respondents say they use Facebook for PPC campaigns – 47% in North America [Figure 76] and 45% outside the US and Canada [Figure 77].

Google’s dominance is also clear from agency results [Figure 78 and 79], though the threat of Facebook is even more apparent. Around three quarters of North American agencies (74%) and two thirds of those outside the US and Canada (69%) say their clients use Facebook.

Companies – US and Canada

Figure 76: Which of the following web properties do you run PPC campaigns on?

[Diagram showing web properties used for PPC advertising, with Google search network at 95%, Google AdWords at 74%, Search Alliance (Bing, Yahoo) at 66%, and others at lower percentages.]

6 In this ‘Search Engines’ section of the report, some charts are split between ‘US and Canada’ and ‘Rest of the World’ because The Microsoft / Yahoo Search Alliance has not yet been rolled out outside North America.
Companies – Rest of the world (excluding US and Canada)

Figure 77: Which of the following web properties do you run PPC campaigns on?

Agencies – US and Canada

Figure 78: Which of the following web properties do your clients run PPC campaigns on?
Agencies – Rest of the world (excluding US and Canada)

Figure 79: Which of the following web properties do your clients run PPC campaigns on?

Respondents: 159
### 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.

Just over a fifth of client-side respondents (22%) consider the impact of the alliance to be positive, while only 8% deem it as negative. The proportion of supply-side respondents that say the impact is positive is slightly larger, standing at 27%.

As Figure 82 shows, the main benefits mentioned by advertisers are **better return on investment** and **cheaper CPC**, both cited by 58% of those companies who regard the alliance as a positive development. On the agency side [Figure 83], the Search Alliance is seen as bringing **more volume / traffic** (47%), **better return on investment** (43%), **cheaper CPC** (43%) and **less reliance on Google** (43%).

**Companies – US and Canada only**

**Figure 80:** What kind of impact is the Microsoft / Yahoo Search Alliance having on your paid search marketing activity?

![Chart showing impact of Microsoft / Yahoo Search Alliance](image)

For the very few companies who say the impact is negative, the reasons include **less efficiency**, **more expensive CPCs**, **worse click-through rate** and **worse ROI** (chart not included due to small sample).

Around half of agency respondents who expect a negative impact on their clients’ paid search marketing activity [Figure 84] mention **less efficiency** (58%), **worse return on investment** (58%), **less volume / traffic** (50%) and **more expensive CPCs** (46%).
Agencies – US and Canada only

Figure 81: What kind of impact do you expect the Microsoft / Yahoo Search Alliance to have on your clients’ paid search marketing activity?

Respondents: 198

Companies – US and Canada only

Figure 82: How is the Microsoft / Yahoo Search Alliance having a positive effect on your paid search marketing activity? [Note small sample]

Respondents: 24
Agencies – US and Canada only

Figure 83: How do you expect the Microsoft / Yahoo Search Alliance to have a positive effect on your clients’ paid search marketing activity? [Note small sample]

Respondents: 53

Agencies – US and Canada only

Figure 84: How do you expect the Microsoft / Yahoo Search Alliance to have a negative effect on your clients’ paid search marketing activity? [Note small sample]

Respondents: 26
Rest of the world

Companies outside North America, where the Microsoft / Yahoo Search Alliance hasn’t taken full effect, were asked instead about their expectations regarding its impact. More than a third of company respondents outside the US and Canada (35%) expect the alliance to have a positive impact on their paid search activity, while 4% expect a negative impact.

Agency results [Figure 86] are very similar, but a significantly larger proportion say that the alliance will have a ‘neutral’ impact on their clients’ paid search – 43% of agencies compared to 30% of companies.

Both company and agency respondents who expect the alliance to have a positive impact mention less reliance on Google, more volume / traffic and better return on investment [Figures 87 and 88].

Half of responding companies who mention a negative impact say that the alliance will lead to less volume / traffic, while half of agencies are concerned about efficiency. Other negative effects mentioned by the two sets of respondents are more expensive CPCs, more reliance on Google, worse click-through rate and worse return on investment. These charts are not included in the report due to very small sample sizes.

Companies – Rest of the world

Figure 85: What kind of impact do you expect the Microsoft / Yahoo Search Alliance to have on your paid search marketing activity?

![Circle chart showing the distribution of responses to the question: What kind of impact do you expect the Microsoft / Yahoo Search Alliance to have on your paid search marketing activity?](chart.png)
Agencies – Rest of the world

Figure 86: What kind of impact do you expect the Microsoft / Yahoo Search Alliance to have on your clients’ paid search marketing activity?

Companies – Rest of the world

Figure 87: How do you expect the Microsoft / Yahoo Search Alliance to have a positive effect on your paid search marketing activity? [Note small sample]

Respondents: 159

Respondents: 29
Agencies – Rest of the world

Figure 88: How do you expect the Microsoft / Yahoo Search Alliance to have a positive effect on your clients’ paid search marketing activity?

Respondents: 50
7.5.3. Change in Google’s performance

The chart below show how companies in North America regard Google’s performance against three important performance criteria.

Just under a third of companies (32%) say that click-through rates for Google have improved, compared to only 12% who say they have gotten worse.

Opinion is more polarized for return on investment. While around a quarter of respondents (26%) consider that the return on investment that Google provides has improved, a similar proportion say that ROI has deteriorated. Half of companies say that ROI is the same as a year ago.

Google continues to walk a tightrope here, balancing the need for better shareholder results with the desire not to kill the proverbial golden goose.

The supply-side perspective is similar [Figure 90], but a higher percentage of respondents say that Google’s performance has worsened across all three criteria. Around a third of agencies (31%) say that return on investment is worse, while just under a fifth (18%) say this about click-through rates.

Companies – US and Canada only

Figure 89: Compared to last year, how is Google performing for you against the following criteria?

Note: This was a new question for 2011, so there is no trend data available.
Agencies – US and Canada only

Figure 90: Compared to last year, how is Google performing for your clients against the following criteria?

Note: This was a new question for 2011, so there is no trend data available.
7.5.4. Use of Google features to enhance performance

The most widely used Google features to enhance companies’ paid search performance are *ad sitelinks* (64%) and *location-based ads* (49%) [Figure 91]. The vast majority of supply-side respondents (80%) say that their clients use *location-based ads*, while almost two thirds (64%) mention *ad sitelinks*.

Both company and agency respondents indicate that *product listings* and *product extensions* are the least used Google features.

Companies

Figure 91: Do you use any of the following Google features to enhance your paid search performance?

![Bar chart showing usage of Google features](chart.png)

*Ad sitelinks: 64%*  
*Location-based ads: 49%*  
*Remarketing on content network: 37%*  
*Product extensions: 22%*  
*Product listings: 22%*

*Respondents: 145*
Agencies

Figure 92: Do your clients use any of the following Google features to enhance their paid search performance?

- Location-based ads: 80%
- Ad sitelinks: 64%
- Re-marketing on content network: 51%
- Product listings: 45%
- Product extensions: 37%

Respondents: 312
7.5.5. **Impact of search engine changes on performance**

More than half (55%) of companies surveyed consider that *local results* have a positive impact on their search performance. *Multiple listings* (47%) and *maps* (42%) are the next most positive developments.

As seen in *Section 7.1*, the vast majority of companies (64%) say that *Google Instant* hasn’t had any impact.

A large proportion of companies are still not benefiting from *video results*, with just over half (51%) of respondents saying they have no impact on their search performance.

Agencies [*Figure 94*] are more likely to say that the impact of these changes has been positive, probably because they are more likely to have experimented. The exception is for *real-time results*, which fewer agencies regard as positive. This is consistent with *Section 7.1* where it was seen that agencies are less likely than last year to regard real-time search as a significant development.7

**Companies**

*Figure 93*: On balance, what impact have changes to the presentation of results on search engines had on your search performance?

![Bar chart showing impact of search engine changes on performance](chart.png)

*Note: This was a new question for 2011, so there is no trend data available.*

7 Google’s recent announcements including its algorithm change and launch of +1 “social tagging” of organic and paid search results occurred after this survey was closed.
Agencies

Figure 94: On balance, what impact have changes to the presentation of results on search engines had on your clients’ search performance?

Note: This was a new question for 2011, so there is no trend data available.
7.5.6. Change in investment in search engines

The vast majority of company respondents outside the US and Canada (62%) are now investing more in Google than they were a year ago. This compares to 42% for Bing (Microsoft) and only 33% for Yahoo.

Just over a quarter of responding companies (26%) say they are currently investing less in Yahoo, compared to only 5% investing less in Google.

The supply-side perspective is similar, though with a significantly higher percentage of respondents (79%) saying that investment in Google has increased. Just over a third (35%) of agency respondents say their clients are investing more in Bing than they were in 2010 and almost a half (46%) say their investment is unchanged.

Only 14% of agency clients are investing more in Yahoo, while 41% are investing less.

Companies – Rest of the world (excluding US and Canada)

Figure 95: Are you investing more or less in the following search engines than you were a year ago? [For paid search]

![Graph showing investment changes in search engines](image-url)
Agencies – Rest of the world (excluding US and Canada)

Figure 96: Are your clients typically investing more or less in the following search engines than they were a year ago? [For paid search]

Respondents: 159
7.5.7. Paid search conversion rates

Both company and agency respondents are more likely to say that paid search conversion rates for Google and Bing have improved (rather than worsened) since 2010. Thirty-seven per cent of advertisers say that conversion rates for Google are better than they were a year ago, compared to only 12% who say they are worse.

According to 28% of respondents, Microsoft traffic is now converting better, while only 11% say that conversion rates are worse.

These results substantiate that Yahoo’s performance has been deteriorating, with only 21% of both advertisers and agencies saying that conversion rates have improved. Just over a third of companies (34%) say that conversion rates for Yahoo are worse than in 2010.

Companies – Rest of the world (excluding US and Canada)

Figure 97: Are your paid search conversion rates from these search engines better or worse than they were a year ago?

![Chart showing paid search conversion rates](chart.png)

Respondents: 83
Agencies – Rest of the world (excluding US and Canada)

Figure 98: Typically, are your clients’ paid search conversion rates from these search engines better or worse than they were a year ago?

- Google: 11% Better, 30% The same, 51% Worse
- Bing (Microsoft): 12% Better, 48% The same, 40% Worse
- Yahoo: 21% Better, 56% The same, 23% Worse

Respondents: 158
7.5.8. Return on investment from search engines

From the advertiser perspective, return on investment from both Google and Yahoo is more likely to have improved rather than worsened in the last 12 months. Forty-one per cent of companies outside the US and Canada say that ROI from Google has increased since 2010, compared to 15% who say that it declined. Similarly, 40% of organizations say that ROI from Microsoft has increased, and only 11% say that it has deteriorated.

Compared to North American companies [Figure 89], respondents outside the US and Canada are more likely to say that ROI from Google has increased in the last year – 41% compared to 26% for North American organizations.

Yahoo is again the worst performing search engine, with a third of companies surveyed saying that ROI is worse and only a quarter saying it is better.

From the agency perspective [Figure 100], a larger proportion of respondents say that ROI from Google has increased since 2010. The story for Yahoo is markedly worse, with only 18% of agencies saying that ROI from Yahoo has showed signs of improvement.

Companies – Rest of the world (excluding US and Canada)

Figure 99: How does return on investment from the following search engines compare to a year ago? [For paid search]
Agencies – Rest of the world (excluding US and Canada)

Figure 100: How does return on investment from the following search engines compare to a year ago? [For paid search]
7.6. Social media and search marketing trends

7.6.1. Use of social and search marketing activity

While the proportion of companies who don’t carry out any social media marketing activity has declined from 18% in 2010 to 13% this year, 9% more respondents are treating social media and search engine marketing separately.

The supply-side results paint a different picture, as the number of agencies treating social media marketing as a part of their search activity has increased in the last 12 months, from 48% to more than half of agencies (54%).

It should be kept in mind that 29% of responding agencies are pure search agencies [Figure 138], and therefore less likely than companies to treat these two channels as separate disciplines.

The proportion of supply-side respondents that treat social media and search engine marketing as separate activities has remained unchanged at 39%.

Figure 102 shows that business-to-business companies are more likely to not carry out any social media marketing activity, missing a tremendous opportunity. B2B organizations are significantly more likely than B2C ones not to do any social media marketing.

Companies

Figure 101: What best describes your use of social media in the context of your search engine marketing activity?
Companies

Figure 102: Social media and search engine marketing activity: B2B – B2C split

Agencies

Figure 103: What best describes your use of social media in the context of your search engine marketing activity?

Respondents 2011: 470
Respondents 2010: 697
7.6.2. Impact of social media on search marketing

While companies are more likely than last year to say that the rise of social media has no impact on their search engine marketing [Figure 104], the number of agencies saying that the impact of social media has been ‘moderate’ or ‘huge’ has increased by 6%.

Just over half of organizations surveyed say that social media has had a moderate (41%) or huge impact (11%), compared to 80% of agencies [Figure 106].

Companies

Figure 104: How much impact has the rise of social media had on your search engine marketing?

<table>
<thead>
<tr>
<th>Impact Level</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>A huge impact</td>
<td>10%</td>
<td>11%</td>
</tr>
<tr>
<td>moderate impact</td>
<td>21%</td>
<td>25%</td>
</tr>
<tr>
<td>no impact</td>
<td>42%</td>
<td>41%</td>
</tr>
<tr>
<td>don’t know / not relevant</td>
<td>27%</td>
<td>23%</td>
</tr>
</tbody>
</table>

Respondents 2011: 244
Figure 105: Impact of social media marketing by company size (revenue)

Agencies

Figure 106: How much impact has the rise of social media had on your clients’ search engine marketing?
7.6.3. Use of social media sites

The vast majority of client-side respondents are using Facebook (84%) and Twitter (75%) to promote their brands or companies. Just over half of companies surveyed are using YouTube (57%) or LinkedIn (52%).

As Figure 108 shows, a significantly larger proportion of companies are now using Facebook (+11%). There has also been a slight increase in the number of companies using YouTube (+4%), LinkedIn (+3%) and Twitter (+2%). Usage of other social media sites such as Delicious (-8%), MySpace (-7%) and Digg (-6%) has decreased in the last 12 months.

On the agency side, the ranking of the top four social media sites used by respondents to promote their brands or companies is the same, but percentages are slightly higher. Just under a quarter of supply-side respondents (24%) say that their clients use Foursquare, compared to only 11% of companies.

According to agencies, more companies are using LinkedIn (+6%) and YouTube (+4%) for promotion purposes, while usage of Twitter has slightly declined (-2%) compared to last year.

‘Other’ sites mentioned by the two sets of respondents include Yelp, Flickr, Quora, Gowalla and Reddit.

Companies

Figure 107: Which social media sites do you use to promote your brand / company?

Respondents: 242
Company trends

Figure 108: Change in proportion of companies using various social media sites to promote their brand/company since 2010

Note: 'Foursquare' and 'Orkut' were new options for 2011 and therefore cannot be compared to 2010.

Agencies

Figure 109: Which social media sites do your clients use to promote their brand/company?

Respondents: 468
Agency trends

Figure 110: Change since 2010 in proportion of agency clients using various social media sites to promote their brand/company

Note: ‘Foursquare’ and ‘Orkut’ were new options for 2011 and therefore cannot be compared to 2010.
7.7. Resourcing and outsourcing

7.7.1. Employees with responsibility for search engine marketing

While the number of companies with at least two people responsible for search engine marketing has remained almost unchanged (68% in 2011 compared to 67% in 2010), more organizations have more than five employees responsible for search engine marketing. This has increased by 7% in the last 12 months, from 13% in 2010 to 20% this year.

Companies

Figure 111: How many people inside your organization have any responsibility for search engine marketing?

![Bar chart showing the number of people with responsibility for search engine marketing in 2010 and 2011.

Respondents 2011: 246
Respondents 2010: 396]
Figure 112: Number of people with responsibility for search marketing by company size (revenue)
7.7.2. Search engine optimization service provision

The proportion of companies carrying out search engine optimization exclusively in-house has declined from 51% in 2010 to 44% in 2011. Just over a fifth of respondents (22%) say they use an SEO specialist, while 11% use a search agency.

Companies

Figure 113: What type of service provider, if any, do you use primarily for search engine optimization?

![Bar chart showing service provider preferences for search engine optimization in 2010 and 2011.](chart.png)

Respondents 2011: 244
Respondents 2010: 393
The top three reasons for using an outside provider for search engine optimization as opposed to doing it in-house are lack of in-house skills (44%), too-time consuming (41%) and lack of in-house tools and technology (38%).

Just a fifth of respondents say that difficulty tracking and measuring prevents them from doing SEO in-house.

Companies

Figure 114: What are the reasons you use an outside provider for search engine optimization as opposed to doing it in-house?

![Bar chart showing reasons for using an outside provider for search engine optimization]

Note: Respondents could check up to three options.
7.7.3. Paid search marketing service provision

Similarly to SEO service provision, the number of companies carrying out paid search marketing exclusively in-house has declined in the last 12 months. Just over a third of companies (38%) prefer to do PPC internally, down from 47% last year.

The proportion of companies that are more likely to be using generic search agencies has increased from 14% in 2010 to 18% this year. Fewer companies than last year use an SEO specialist (-2%).

Companies

Figure 115: What type of service provider, if any, do you use primarily for paid search marketing?
As with SEO, **lack of in-house skills (45%)** is the main reason why companies outsource paid search.

**Companies**

**Figure 116:** What are the reasons you use an outside provider for paid search as opposed to doing it in-house?

![Bar Chart](chart.png)

- **Lack of in-house skills:** 45%
- **Too time-consuming:** 35%
- **Lack of in-house tools and technology:** 34%
- **Hard to stay abreast of best practice:** 31%
- **Too complicated to track and measure in-house:** 26%
- **Service providers have good industry contacts:** 17%
- **Other:** 14%

*Note: Respondents could check up to three options.*
7.7.4. Social media marketing service provision

While a larger proportion of companies (55%) do social media marketing internally than is the case for SEO and PPC, this percentage has also declined in the last 12 months, from 62% in 2010. The marketplace is still fragmented in terms of which types of service providers are used, with social media specialists (12%) and digital marketing agencies (8%) being the most widely used.

Companies

Figure 117: What type of service provider, if any, do you use primarily for social media marketing?
From the perspective of client-side respondents, the main reason they outsource social media marketing is that it’s too time-consuming (37%). The fact that it is more economical to outsource this type of marketing (28%), the lack of in-house tools and technologies (also 28%) and the lack of in-house skills (27%) are the next most important reasons cited by responding companies.

Companies

Figure 118: What are the reasons you use an outside provider for social media marketing as opposed to doing it in-house?

![Bar chart showing reasons for outsourcing social media marketing]

- **Too time-consuming**: 37%
- **More economical to outsource this**: 26%
- **Lack of in-house tools and technology**: 26%
- **Lack of in-house skills**: 27%
- **Hard to stay apprised of best practices**: 23%
- **Too complicated to track and measure in-house**: 21%
- **Service providers have good industry contacts**: 18%
- **Other**: 3%

*Respondents: 71

Note: Respondents could check up to three options.*
7.7.5. Use of technology for paid search

The chart below shows that almost half of responding companies conducting search engine marketing rely on basic tools, such as search engine tools and Excel. However, this percentage has been gradually decreasing in the last three years, from 57% in 2009 to 49% this year [Figure 119].

It is noteworthy that the proportion of companies saying that their SEM services providers have a proprietary technology solution or lease a third party one has increased for the first time in the last three years. According to a fifth of respondents, their providers have a special proprietary solution, while 12% say they lease a third party one.

As Figure 120 shows, the largest companies (with annual revenues of more than $1 billion) are more likely to use a service provider that either has a proprietary technology or leases it from a third party vendor.

Companies

Figure 119: Do you or your primary search engine marketing service provider use a special technology solution with features such as ‘bid management’, ‘campaign management’, ‘portfolio management’ and ‘dynamic optimization’ for paid search campaigns?
The agency perspective paints a similar picture, with over half of supply-side respondents (54%) saying they manage campaigns only with basic tools. Just under a third (29%) of agencies license a tool from a third party vendor, compared to 17% who built a proprietary solution in-house.

Agencies

Figure 121: Do you use a special technology solution for paid search campaigns?
7.7.6. Typical fee structure for search engine optimization

Around half (49%) of companies use a flat agency fee to pay their search engine optimization providers. This percentage has increased for the first time in the last five years [Figure 123]. Just over a quarter of company respondents (28%) bill by time and materials.

On the agency side [Figure 124], more respondents say they use a hybrid fee model to charge clients for their SEO services than is suggested by companies. Just under a fifth of responding agencies (17%) use a hybrid fee structure (typically a mixture of an initial fee and then payment based on performance), compared to only 8% of companies surveyed.

Companies

Figure 122: What is the typical fee structure you use to pay your search engine optimization providers?

Respondents: 237
Company trends

Figure 123: What is the typical fee structure you use to pay your search engine optimization providers?

![Chart showing fee structures used by agencies for search engine optimization services.](image)

Agencies

Figure 124: What is the typical fee structure you use to charge clients for your search engine optimization services?

![Chart showing fee structures used by clients for search engine optimization services.](image)
### Typical fee structure for paid search marketing

Just under a third of companies (29%) work on a flat fee basis with agencies for paid search marketing, while 22% use a percentage of media spend. Only 12% of responding organizations are using a hybrid model.

The supply-side perspective [Figure 127] shows that a slightly larger proportion of agencies say they use percentage of media spend (24%) and a hybrid model (18%).

#### Companies

**Figure 125:** What is the typical fee structure you use to pay your paid search providers?

<table>
<thead>
<tr>
<th>Fee Structure</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flat agency fee</td>
<td>29%</td>
</tr>
<tr>
<td>Percentage of media spend</td>
<td>22%</td>
</tr>
<tr>
<td>Fee per click</td>
<td>15%</td>
</tr>
<tr>
<td>Time and materials</td>
<td>13%</td>
</tr>
<tr>
<td>Hybrid model (mixture of above)</td>
<td>12%</td>
</tr>
<tr>
<td>Commission for sales / leads</td>
<td>6%</td>
</tr>
<tr>
<td>Commission for other marketing</td>
<td>2%</td>
</tr>
</tbody>
</table>

*Respondents: 237*
Company trends

Figure 126: What is the typical fee structure you use to pay your paid search providers?

Respondents 2011: 474
Respondents 2010: 709

Agencies

Figure 127: What is the typical fee structure you use to charge clients for your paid search services?

Respondents 2011: 474
Respondents 2010: 709
7.7.8. Typical fee structure for social media marketing

As is the case with SEO and paid search, social media service providers are most likely to be paid on a flat fee basis (43%). The next most common fee structure for social media marketing is time and materials, which is used by around a fifth of responding companies (21%).

According to agencies surveyed, time and materials (33%) and flat agency fee (30%) are the most widely used fee structures.

Companies

Figure 128: What is the typical fee structure you use to pay your social media marketing providers?

<table>
<thead>
<tr>
<th>Fee Structure</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flat agency fee</td>
<td>36%</td>
<td>43%</td>
</tr>
<tr>
<td>Time and materials</td>
<td>27%</td>
<td>21%</td>
</tr>
<tr>
<td>Hybrid (mixture of flat agency fee &amp; per click)</td>
<td>16%</td>
<td>12%</td>
</tr>
<tr>
<td>Percentage of media spend</td>
<td>6%</td>
<td>7%</td>
</tr>
<tr>
<td>Commission for sales/leads</td>
<td>6%</td>
<td>7%</td>
</tr>
<tr>
<td>Commission for other marketing objective</td>
<td>6%</td>
<td>7%</td>
</tr>
</tbody>
</table>
Figure 129: What is the typical fee structure you use to charge clients for your social media marketing services?

Respondents 2011: 474
Respondents 2010: 709
7.7.9. Challenges for managing search engine optimization

*Measuring return on investment* is the greatest challenge faced by companies when managing their search engine optimization and social media campaigns. For SEO, 44% of respondents say that ROI measurement is one of their three biggest challenges, while a much greater percentage (61%) cite this for social media [Figure 134].

*Optimizing destination pages* (40%) and *staying abreast of search engines’ indexing algorithms and technologies* (36%) are the next biggest challenges mentioned by responding companies. *Researching and choosing optimal keyword phrases* (26%) is a significant challenge for 8% fewer companies than was the case last year [Figure 131].

*Obtaining executive buy-in* (17%) and *determining whether to do in-house or outsource to an outside firm* (10%) are considered major challenges for a slightly larger proportion of companies than last year.

Companies

Figure 130: What are your greatest challenges when managing your search engine optimization efforts?

![Challenges chart]

Note: Respondents could check up to three options.
Company trends

Figure 131: Greatest SEO challenges – change in proportion since 2010
Challenges for managing paid search marketing

Optimizing destination pages has become the biggest challenge for those managing paid search marketing, with 42% of company respondents mentioning it. Measuring the ROI (40%) is the second biggest challenge, though this has decreased as a barrier in the last 12 months [Figure 133].

Compared to last year, companies who manage paid search campaigns find it more difficult to stay abreast of search engines’ indexing algorithms and technologies (+5%) and to hire and retain talent (+4%).

Companies

Figure 132: What are your greatest challenges when managing paid search marketing efforts?

Note: Respondents could check up to three options.
Company trends

Figure 133: Greatest paid search challenges – change in proportion since 2010
7.7.11. Challenges for managing social media marketing

ROI measurement is the top challenge for social media marketing, with 61% of company respondents mentioning it among their three biggest challenges. *Making the business case for investment* (34%) is less of a worry than it was last year, with 4% fewer organizations saying this is an issue.

Companies are finding it more difficult than a year ago to *obtain executive buy-in* (+3%).

Companies

Figure 134: What are your greatest challenges when managing social media marketing efforts?

Note: Respondents could check up to three options.
Company trends

Figure 135: Greatest social media challenges – change in proportion since 2010

- Measuring the ROI: -2%
- Integration and measurement with other online/offline marketing channels: 0%
- Making the business case for investment: -4%
- Getting budget: 2%
- Obtaining executive buy-in: 3%
- Hiring and retaining talent: 3%
- Optimizing destination pages: -2%
- Determining whether to do in-house or outsource to an outside firm: 1%
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 136: In which business sector is your organization?

<table>
<thead>
<tr>
<th>Business Sector</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Services (Including Insurance)</td>
<td>12%</td>
</tr>
<tr>
<td>Retail</td>
<td>11%</td>
</tr>
<tr>
<td>Publishing</td>
<td>9%</td>
</tr>
<tr>
<td>Telecoms / Mobile Phones</td>
<td>7%</td>
</tr>
<tr>
<td>Healthcare</td>
<td>7%</td>
</tr>
<tr>
<td>Automotive</td>
<td>5%</td>
</tr>
<tr>
<td>Public Sector</td>
<td>3%</td>
</tr>
<tr>
<td>Entertainment</td>
<td>3%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>2%</td>
</tr>
<tr>
<td>Utilities &amp; Energy</td>
<td>2%</td>
</tr>
<tr>
<td>Gaming</td>
<td>1%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>1%</td>
</tr>
<tr>
<td>FMCG / CPG</td>
<td>1%</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>1%</td>
</tr>
<tr>
<td>Charity</td>
<td>0%</td>
</tr>
<tr>
<td>Other</td>
<td>29%</td>
</tr>
</tbody>
</table>

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 137: Is your business focused on B2B or B2C?

- Mainly business-to-business
- Mainly business-to-consumer
- B2B and B2C equally

Respondents: 241
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 138*: Which of the following best describes your agency or business?

![Bar chart showing agency types](image)
8.4. Geography

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

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

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 139: In which country are you based?

[Bar chart showing the distribution of respondents by country.]

Respondents: 325
Figure 140: In which country are you based?

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>47%</td>
</tr>
<tr>
<td>UK</td>
<td>7%</td>
</tr>
<tr>
<td>India</td>
<td>5%</td>
</tr>
<tr>
<td>Canada</td>
<td>4%</td>
</tr>
<tr>
<td>Australia</td>
<td>4%</td>
</tr>
<tr>
<td>Spain</td>
<td>2%</td>
</tr>
<tr>
<td>Italy</td>
<td>2%</td>
</tr>
<tr>
<td>France</td>
<td>1%</td>
</tr>
<tr>
<td>China</td>
<td>1%</td>
</tr>
<tr>
<td>Argentina</td>
<td>1%</td>
</tr>
<tr>
<td>Germany</td>
<td>0%</td>
</tr>
<tr>
<td>Russia</td>
<td>0%</td>
</tr>
<tr>
<td>Brazil</td>
<td>0%</td>
</tr>
<tr>
<td>Other</td>
<td>25%</td>
</tr>
</tbody>
</table>

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 141*: Approximately how much did your company generate in revenue in 2010?

![Bar chart showing revenue distribution](chart.png)

<table>
<thead>
<tr>
<th>Revenue Range</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $1 million</td>
<td>15%</td>
</tr>
<tr>
<td>$1m - $10m</td>
<td>19%</td>
</tr>
<tr>
<td>$10m - $100m</td>
<td>27%</td>
</tr>
<tr>
<td>$100m - $1 billion</td>
<td>13%</td>
</tr>
<tr>
<td>More than $1 billion</td>
<td>21%</td>
</tr>
</tbody>
</table>

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 142:* How many employees are there in your organization?

![Bar chart showing the distribution of employees in companies](chart.png)

Respondents: 243
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 143: How many employees are there in your organization?

![Employee Size Distribution](chart.png)

Respondents: 466