Search Engine Advertising Update – Q2 2010

July 13, 2010 — The advertising recovery (if you can call it that – it was hardly ever more than a deceleration) is still in progress. We measured healthy increases in first-page advertiser activity on all three search engines, indicative of an economy which finally appears to be waking up.

However, these increases were not equally distributed among the search engines. We recorded an increase of 7.3% in first-page advertisers on Google, but only 2.8% for both Yahoo! and Bing. This disparity translated into a slight increase in advertiser share for Google (which has remained steady at 80% for around 18 months now.)

One indicator which has proven to be a reliable predictor of search revenues is ad coverage – the average number of ads shown per search query. There was a marked increase in ad coverage for all three engines over the quarter. Google increased the average number of ads shown by 15%, Yahoo! by 22%, and Bing by 11%.

While rosy, these statistics require further interpretation. We cannot take them at face value. If that were true, what would stop a search engine from increasing ad coverage indefinitely in order to grow revenues? The reason this does not happen is because increasing ad coverage results in diminishing returns – beyond a certain point, showing more ads does not translate into higher revenues and can result in user dissatisfaction. If Google's past performance is any guide, the magic number appears to be around 5.5-6.0 ads per query. Yahoo! is now at 6.85 so it's unlikely the increase in ads will lead to much additional revenue. On the other hand, Bing is currently only showing 3.85 ads per keyword, so it's extremely likely this will be reflected in better-than-expected revenues. Similarly, Google went from 4.97 to 5.72, so there's a good chance they'll report healthy increases as well.

Another change worth noting was Google's MayDay update. This tweak to the natural rankings algorithm was intended to improve the relevance of long-tail searches by eliminating auto-generated content from the search results. Not only were we able to confirm that many auto-generated sites were largely removed from

About AdGooroo

Based in Chicago, AdGooroo provides competitive intelligence to Internet marketers through its suite of products, including SEM Insight, Display Insight, Link Insight and Trademark Insight. Nearly 2,000 companies rely on our unique products for quantifiable insights they can use to rise above the competition and build a long-term advantage over competitors.

Media Contact:

Robin Simkins
(312) 205-4260
robin@adgooroo.com

www.AdGooroo.com
730 W Randolph
Chicago, Illinois 60661
866.263.9900

Google's index, we also noted that Google is now monetizing nearly 8% more of their keyword searches (keywords with no ads decreased from 43.6% in Q1 to 39.7% in June.) This is a very positive sign.

There were some interesting trends at the vertical level as well. We noted substantially increased spends this quarter for cell phone service providers, auto insurance, and printer ink vendors. Conversely, we saw large drops in travel and online retail (both likely seasonal) as well as mortgage lenders (not seasonal but the downward trend appears to be decelerating.)

Upcoming Bing/Yahoo! Partnership

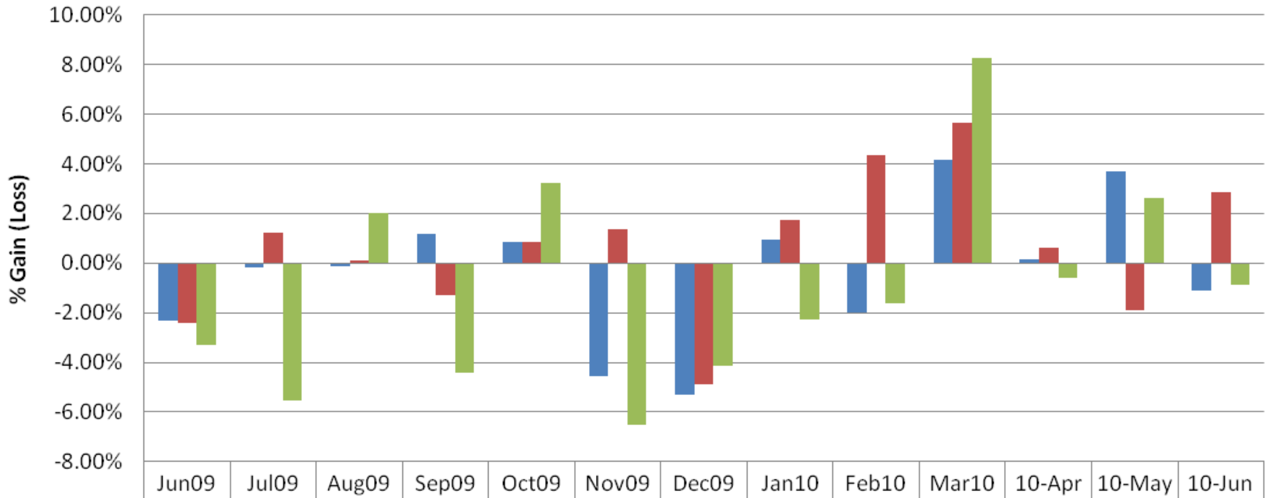
Like many search marketers, we are looking forward with anticipation to the upcoming Microsoft-Yahoo! search alliance. The integration of the two platforms will enable advertisers to reach a substantially larger audience while eliminating much of the overhead of managing multiple campaigns. Microsoft has wisely decided to adopt Google's de facto standards, thus making it possible to share campaigns between both platforms with a minimum of hassle.

More importantly, the partnership will combine an additional 230,000 advertisers who were previously on one platform or the other. This will not only result in higher competition for placement (and thus increased CPCs), it should also allow for better matching of ads and search queries, further improving conversion rates for advertisers.

The integration date has not been announced yet but it's very likely to occur in late Q3 in advance of the 2010 holiday season.

Monthly Change in First Page Advertisers

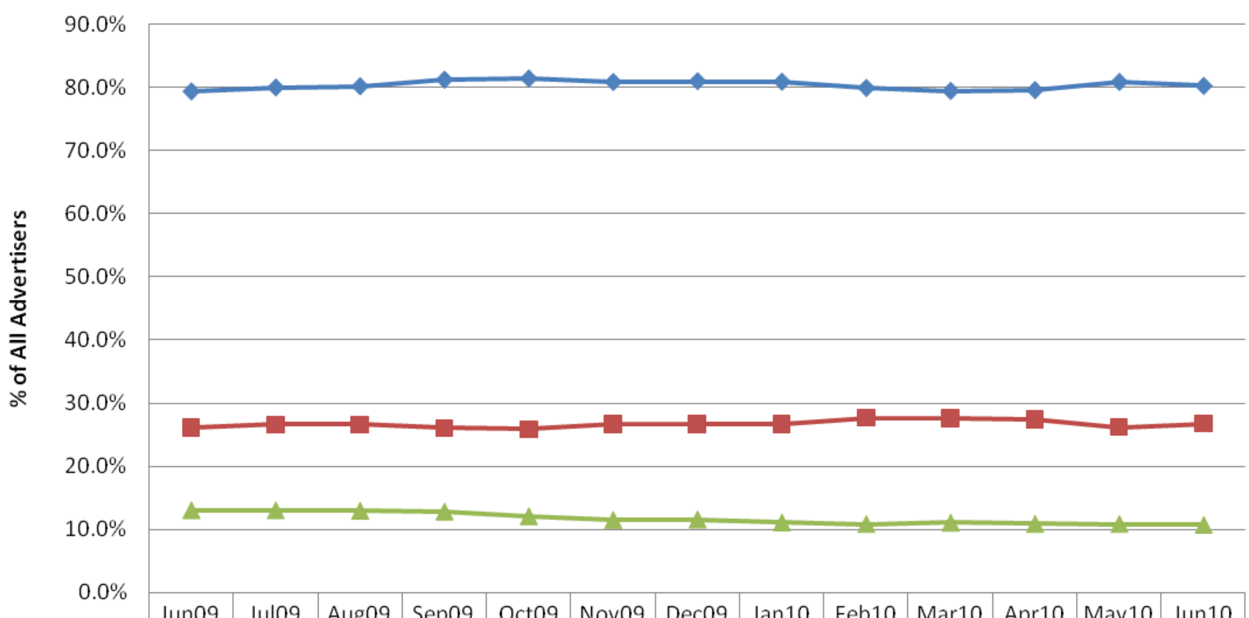
(US and International)



	Jun09	Jul09	Aug09	Sep09	Oct09	Nov09	Dec09	Jan10	Feb10	Mar10	10-Apr	10-May	10-Jun
Google	-2.32%	-0.18%	-0.15%	1.19%	0.83%	-4.56%	-5.30%	0.97%	-1.98%	4.18%	0.15%	3.70%	-1.10%
Yahoo	-2.43%	1.22%	0.12%	-1.30%	0.84%	1.35%	-4.87%	1.73%	4.34%	5.65%	0.60%	-1.91%	2.87%
Bing	-3.31%	-5.55%	2.01%	-4.43%	3.23%	-6.50%	-4.16%	-2.26%	-1.62%	8.27%	-0.58%	2.62%	-0.90%

Share of Advertisers by Search Engine

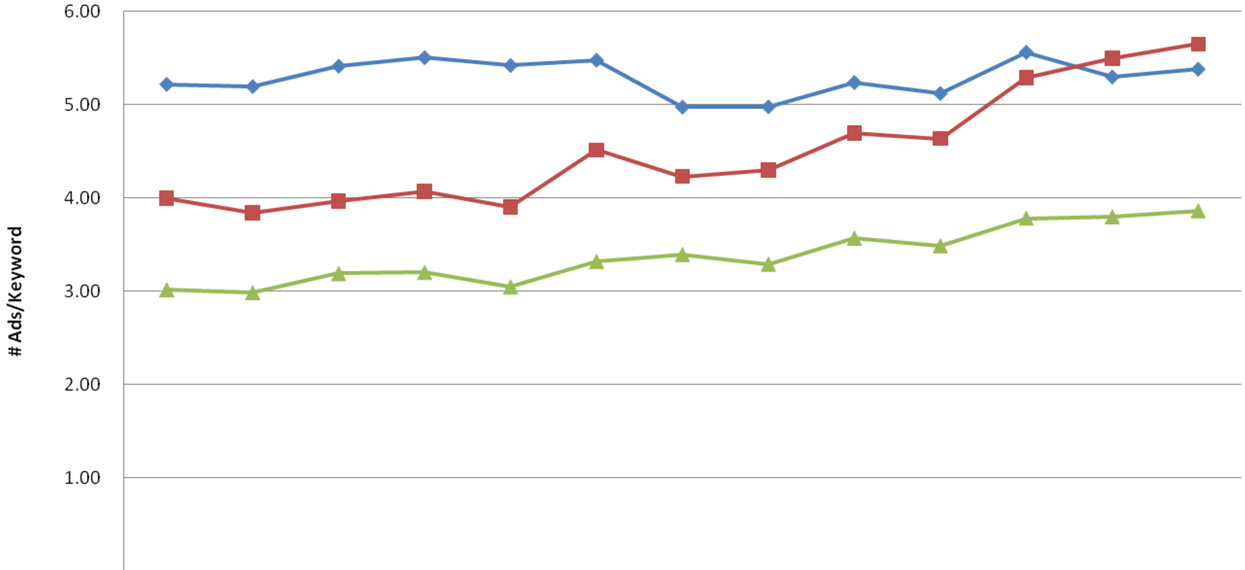
(US and International)



	Jun09	Jul09	Aug09	Sep09	Oct09	Nov09	Dec09	Jan10	Feb10	Mar10	Apr10	May10	Jun10
Google	79.4%	80.0%	80.2%	81.2%	81.4%	80.8%	81.0%	80.9%	79.9%	79.5%	79.6%	80.8%	80.2%
Yahoo	26.2%	26.6%	26.6%	26.0%	25.9%	26.7%	26.7%	26.7%	27.7%	27.6%	27.5%	26.2%	26.8%
Bing	13.1%	13.0%	13.0%	12.8%	12.1%	11.5%	11.6%	11.1%	10.8%	11.1%	10.9%	10.9%	10.7%

Avg # Ads/Keyword

(US & International)

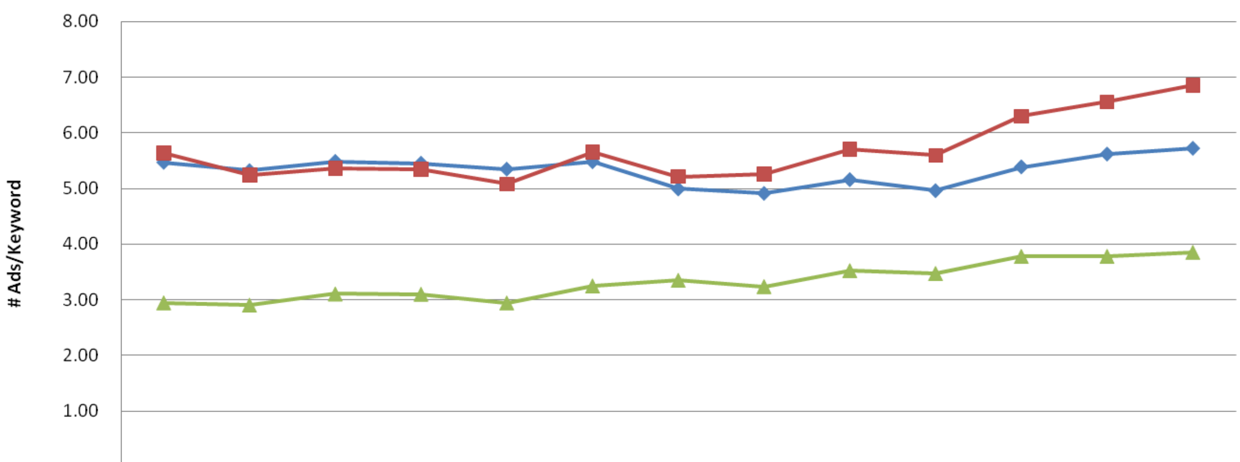


	Jun09	Jul09	Aug09	Sep09	Oct09	Nov09	Dec09	Jan10	Feb10	Mar10	10-Apr	10-May	10-Jun
Google	5.22	5.19	5.41	5.50	5.42	5.48	4.97	4.98	5.24	5.12	5.56	5.30	5.38
Yahoo	4.00	3.84	3.96	4.07	3.90	4.51	4.23	4.30	4.69	4.64	5.29	5.50	5.65
Bing	3.01	2.98	3.19	3.20	3.04	3.32	3.39	3.29	3.57	3.48	3.78	3.79	3.86

-

Avg # Ads/Keyword

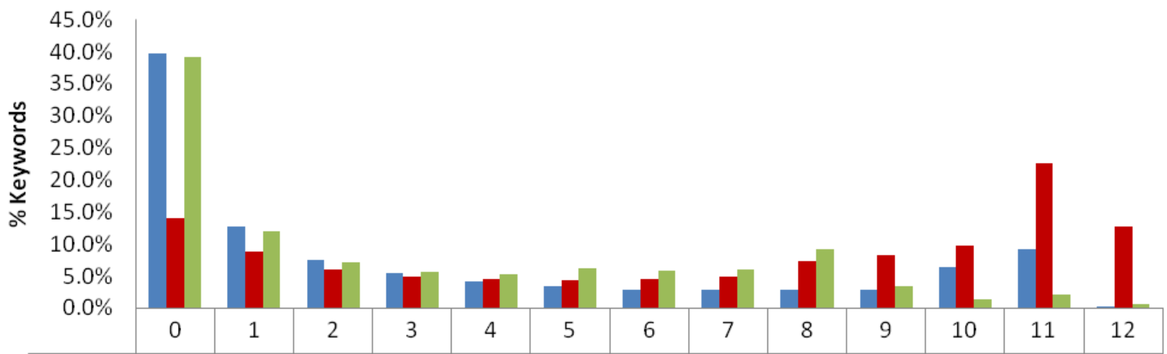
(US only)



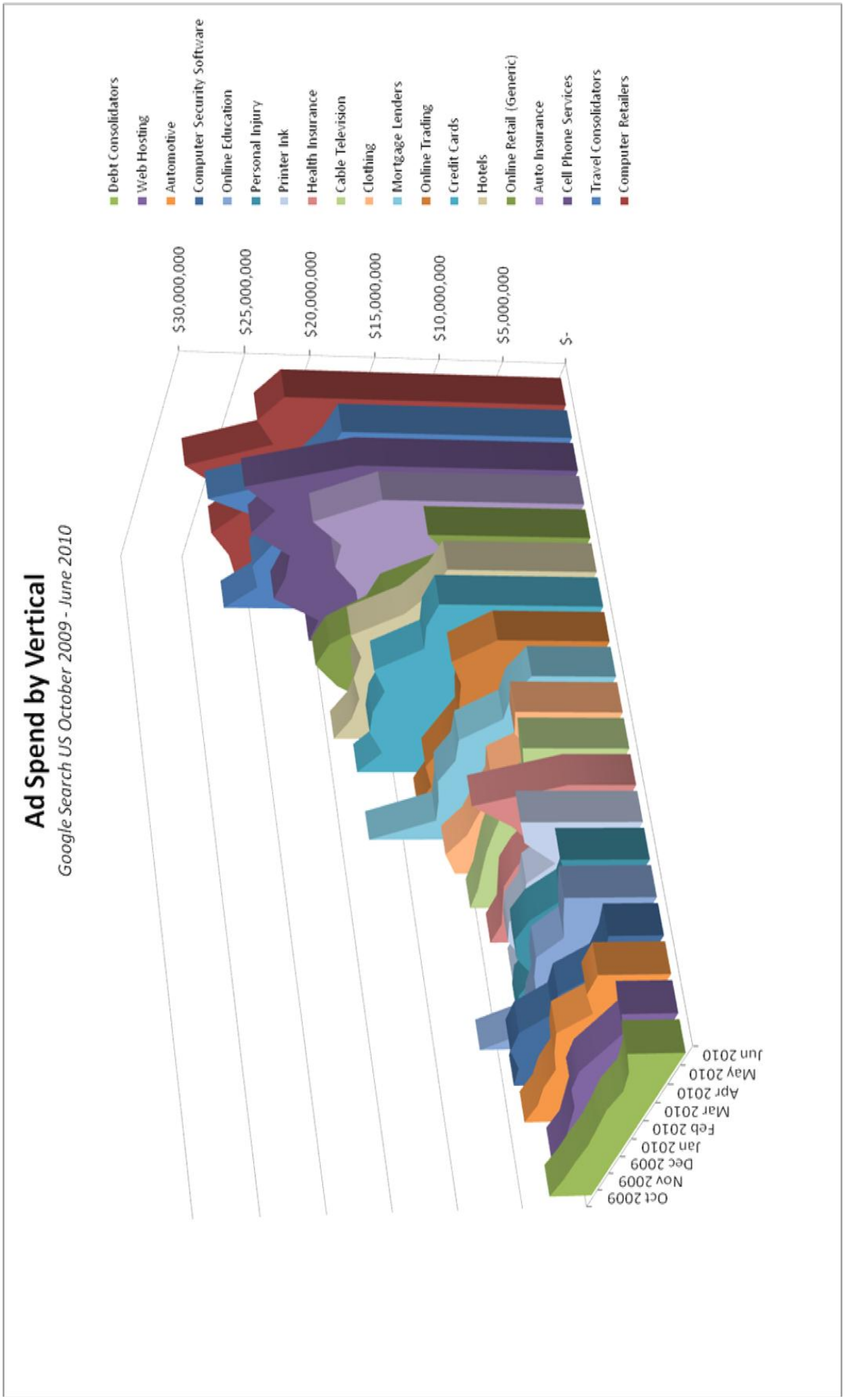
	Jun09	Jul09	Aug09	Sep09	Oct09	Nov09	Dec09	Jan10	Feb10	Mar10	Apr10	May10	Jun10
Google	5.47	5.32	5.48	5.45	5.35	5.48	4.99	4.92	5.16	4.97	5.39	5.61	5.72
Yahoo	5.63	5.24	5.36	5.35	5.08	5.65	5.21	5.26	5.71	5.60	6.30	6.55	6.85
Bing	2.95	2.91	3.11	3.10	2.95	3.25	3.35	3.24	3.52	3.47	3.78	3.78	3.85

Avg # Ads Displayed Per Impression

(June 2010, All Engines US, Normalized by %)



	0	1	2	3	4	5	6	7	8	9	10	11	12
Google	39.7%	12.8%	7.5%	5.4%	4.2%	3.4%	2.9%	2.9%	2.9%	2.8%	6.3%	9.1%	0.0%
Yahoo	14.0%	8.9%	6.1%	5.0%	4.5%	4.3%	4.5%	4.9%	7.3%	8.3%	9.8%	22.5%	12.7%
Bing	39.2%	11.9%	7.2%	5.6%	5.3%	6.2%	5.8%	6.1%	9.1%	3.4%	1.3%	2.0%	0.7%


Ad Spend by Vertical
Google Search US October 2009 - June 2010
$30,000,000
$25,000,000
$20,000,000
$15,000,000
$10,000,000
$5,000,000
$-
Oct 2009
Nov 2009
Dec 2009
Jan 2010
Feb 2010
Mar 2010
Apr 2010
May 2010
Jun 2010
Debt Consolidators
Web Hosting
Automotive
Computer Security Software
Online Education
Personal Injury
Printer Ink
Health Insurance
Cable Television
Clothing
Mortgage Lenders
Online Trading
Credit Cards
Hotels
Online Retail (Generic)
Auto Insurance
Cell Phone Services
Travel Consolidators
Computer Retailers

Top 25 US Advertisers by Search Engine
Advertisers with highest number of estimated ad impressions
United States, June 2010

Note on Methodology: The top 25 advertiser list is based on the total number of recorded first-page ad impressions during the stated time period and does not necessarily reflect total ad spend. Ad impressions are estimated via sampling over a 30-day period. Advertisers are listed in alphabetical order.

Google	Yahoo!	Bing
amazon.com	amazon.com	amazon.com
ask.com	ask.com	att.com
att.com	best-price.com	become.com*
best-price.com	bing.com	bing.com
bing.com	bizrate.com*	bizrate.com
booking.com	bottomdollar.com	booking.com
business.com	business.com	bookingbuddy.com*
buycheapr.com	eBay.com	dell.com
dell.com*	ebaymotors.com	drugstore.com
eBay.com	everydayhealth.com*	eBay.com
expedia.com	expedia.com	edmunds.com
google.com	gifts.com	expedia.com
hotels.com*	health.kosmix.com	jcpenney.com
info.com*	local.com	kayak.com
jcpenney.com	lowfares.com	microsoft.com*
local.com	nextag.com	nextag.com
nextag.com	pricegrabber.com	onetravel.com
nordstrom.com	pronto.com	priceline.com
priceline.com*	righthealth.com	sears.com
righthealth.com	shopcompanion.com*	shopzilla.com
sears.com	shopping.yahoo.com	target.com
shopzilla.com	shopzilla.com	travelocity.com
staples.com*	smarter.com	walmart.com*
target.com	target.com	yellowpages.com*
zappos.com	yellowpages.com*	zappos.com

** New in top 25 since prior quarter*