

As Paid Search Evolves, Marketers Must Too

Leverage Expert Partners To Manage
Paid Search Complexity

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Executive Summary

Today, search is often treated as old news — a mature, well-defined, even staid marketing channel that lacks the excitement of newer marketing channels like social, video, and mobile. The reality, however, is that paid search marketing is both constantly evolving and absolutely crucial for marketers. Emerging capabilities, stronger competition, and fragmentation arising from customers' cross-channel discovery behaviors mean that search is getting more complicated, and most marketers need expert partners in order to effectively manage and deliver campaigns in an evolving environment.

In 2016, Criteo commissioned Forrester Consulting to evaluate recent trends in paid search marketing. Then to further explore this trend, Forrester developed a hypothesis that paid search marketing is getting more complicated and that retail marketers must adapt with the help of tech and agency partners in order to keep up with additional paid search capabilities.

In conducting an online survey and six in-depth interviews with 186 retail marketing decision-makers, Forrester found that paid search is more complicated today than it ever has been, while continuing to dominate retail marketers' digital budgets.

KEY FINDINGS

Forrester's study yielded four key findings:

- › **Paid search is a major eCommerce driver for retail marketers.** Nearly a third of companies in our study said they drive more than 25% of their companies' eCommerce revenue through search marketing.
- › **Paid search marketing is getting more complicated.** As paid search matures and more companies get the basics down, competition rises and firms look to new search capabilities for differentiation in an increasingly crowded space. These capabilities add to the complexity of executing effective paid search campaigns. This increased level of sophistication is driving marketers to turn to sophisticated technology partners and agencies.
- › **Among emerging search capabilities, product listing ads (PLAs) are a good place to start.** PLAs can provide a shorter route to reaching in-market customers with product-level information and have translated into more conversions for marketers. While many marketers see the

channel is a major performance driver today, PLAs do require specific, highly technical capabilities to effectively manage, which is why many marketers are turning to agencies and/or tech partners for support.

- › **Retail marketers should turn to partners to ease search complexity.** Most marketers today lack the staff, time, and broad expertise to effectively manage emerging search capabilities and search campaigns. Search agency and tech partners are able to bring expertise in customer behaviors, bid experience, and competitive intelligence to bolster marketers' campaigns, and in many cases free up client resources to focus more on strategy and creative work.

Search Remains A Crucial Tool For Retail Marketers

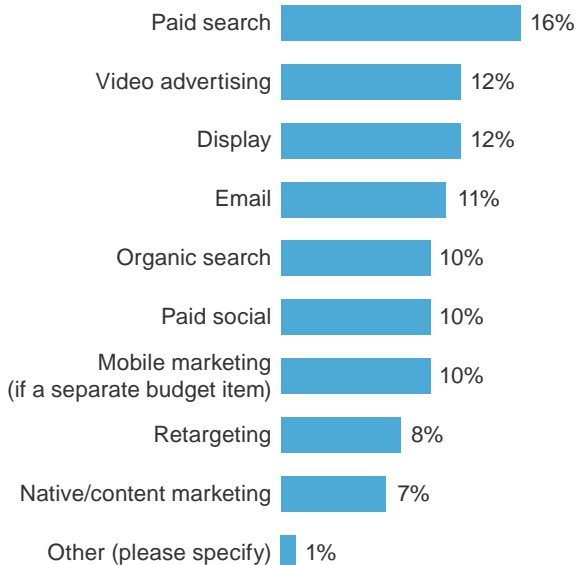
As a highly mature digital marketing channel, search doesn't necessarily get the attention that more recently emerging channels garner, including digital video, social, and mobile. However, search is possibly a marketer's most important digital marketing fundamental, heading up retail marketers' investment and having the biggest impact on achieving revenue and business goals.

"The nature of search shows why it's so critical for us — people looking for a product, the first place they go is to a search engine. When they begin their search process, we need to be there for them."
— Search manager, clothing retailer

SEARCH DOMINATES RETAIL MARKETERS' DIGITAL BUDGETS

FIGURE 1
Paid Search Leads Digital Marketing Budgets

"What percentage of your digital marketing budget goes toward the following channels?"
(Shows mean percentages for each)



Base: 186 retailers focused on eCommerce
(percentages may not total 100 because of rounding)

Source: A commissioned study conducted by Forrester Consulting on behalf of Criteo, November 2016

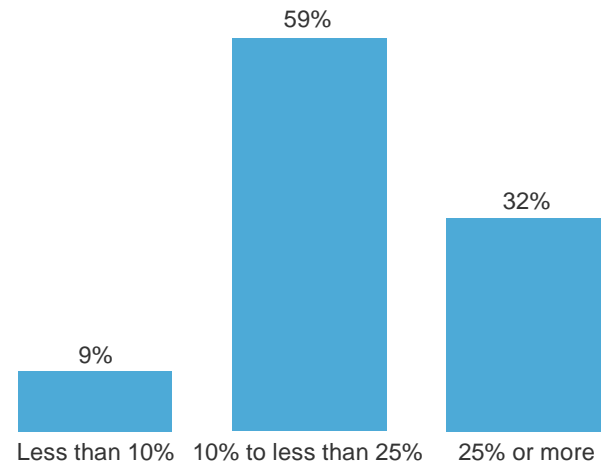
Paid search was the leading digital marketing budget item for marketers in our study. Retail marketers devoted an average of 16% of their digital marketing budget to paid search, beating out display, paid social, and mobile marketing (when counted as a distinct budget line item) (see Figure 1).

SEARCH MARKETING IS A MAJOR REVENUE DRIVER FOR RETAIL MARKETERS

Our study found that in addition to being the top line item in retail marketers' budgets, paid search is a significant revenue driver. Nearly a third of companies in our study said they drive 25% or more of their eCommerce revenue through search marketing (see Figure 2).

FIGURE 2
Paid Search Drives Significant Marketing ROI

"Using your best estimate, what percentage of your company's eCommerce revenue is driven by search marketing?"



Base: 186 retailers focused on eCommerce

Source: A commissioned study conducted by Forrester Consulting on behalf of Criteo, November 2016

Furthermore, retail marketers in our study ranked paid search as having the highest return on investment (ROI) of any marketing channel, with 36% ranking it as tops for ROI and 53% ranking it in the top two. The closest competing channel, organic search, was ranked in the top two ROI channels by only 36% of respondents.

INCREASING ONLINE SALES IS A TOP PRIORITY FOR MARKETERS, AND SEARCH DELIVERS AGAINST IT

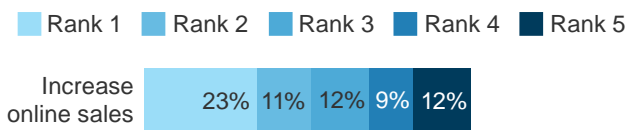
Search's bonafides as a performance channel are well known, and the retail marketers in our study are feeling the pressure to drive performance in their eCommerce programs. Thirty-four percent of the marketers in our study said that increasing online sales was one of their top two priorities for the year, with 23% saying it was their most important objective.

More critically, paid search programs are helping these marketers meet their goals. Nine in 10 marketers in our study said that paid search was effective at increasing online sales for their company (see Figure 3).

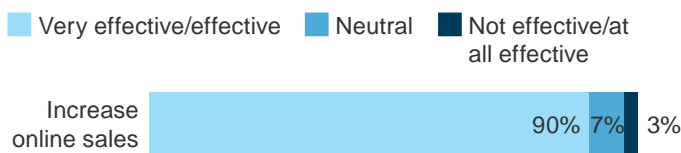
FIGURE 3

Paid Search Helps Marketers Meet Their Most Important Business Goal

“What are the most important goals for your firm’s paid search marketing program?”



“How effective is your paid search marketing program at accomplishing your goals?”



Base: 186 retailers focused on eCommerce

Source: A commissioned study conducted by Forrester Consulting on behalf of Criteo, November 2016

Search Marketing Is Getting More Sophisticated

Paid search campaigns have evolved over the past few years, with a set of new capabilities that enable marketers to reach customers more effectively. However, these new capabilities also require marketers to account for more complexity in their search campaigns. In addition, marketers face heavier competition in search, as well as tighter budget and performance goals.

SEARCH MATURITY MEANS GREATER COMPETITION

The maturity and efficacy of paid search has meant that more marketers are able to execute campaigns effectively, which is raising competition for winning results within product verticals. As one interviewee put it:

“It’s not that paid search is much more difficult today; it’s more that everyone else has caught up — everyone is making more sophisticated choices — so it comes down to attention to detail and granularity as the main differentiator.”

— Marketing manager, home goods retailer

PROLIFERATING SEARCH CAPABILITIES RAISE THE STAKES, CREATE RESOURCE CHALLENGES

As it has matured, paid search has introduced new capabilities that require capable execution. Retail marketers in our study were branching out their paid search programs to include mobile-specific campaigns, product listing ads, dynamic search ad creative, location-based capabilities, and several others (see Figure 4). And adopting these capabilities presents a real challenge for many marketers.

Half or more of retail marketers told us they find numerous search capabilities difficult to manage, highlighted by algorithmic bid management (55% said they were difficult or very difficult to manage), rich or specialized media in search (51%), and deep-linked in-app landing pages (50%). Furthermore, while marketers seek to keep up with these trends, search budgets are feeling the pinch. Forty-two percent of retail marketers in our study said that budget limitations were the top challenge preventing them from taking full advantage of new search technologies today.

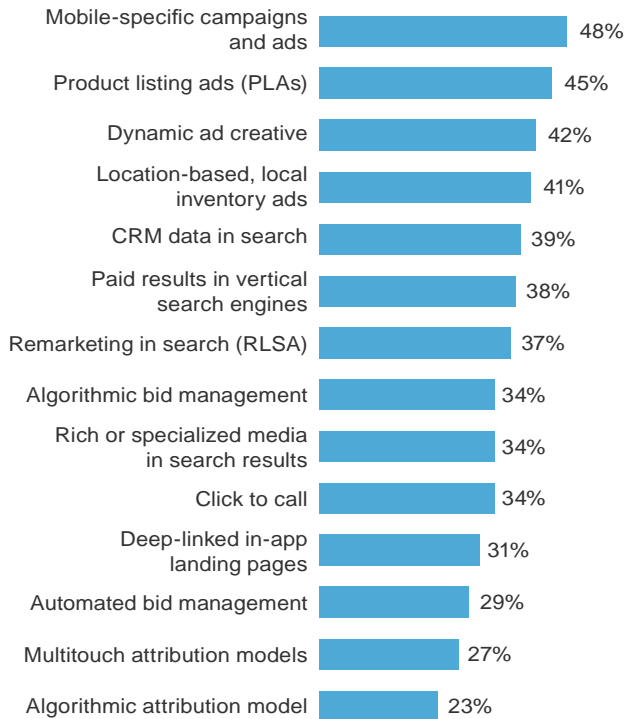
“The focus for the business this year was definitely efficiency — we’re growing rapidly but spending a lot to do it — so ROI on ad spend, increasing the bottom line, and driving profit dominates our decision-making. This year, that led to flat budgets with a growth target — and that’s tough.”

— Search manager, clothing retailer

As search becomes more complex, it generally requires greater investment — in time, staff, and budget — to execute effectively. Retail marketers in our study told us they thought new search capabilities would increase the money, time, and people they had to devote to search overall, and a majority of retail marketers in our study said new search capabilities require at least daily management. Given static budgets, this creates the proverbial rock and a

FIGURE 4
Marketer Adoption Of Proliferating Search Capabilities

“Which of the following areas of paid search is your company capable of today?” (Select all that apply)



Base: 186 retailers focused on eCommerce

Source: A commissioned study conducted by Forrester Consulting on behalf of Criteo, November 2016

hard place for those marketers who try and keep up with search innovations internally.

SEARCH MARKETING IS ABOUT MORE THAN JUST SEARCH ENGINES

Another development contributing to the complexity of search programs is the way in which search marketing has evolved beyond mastering the particulars of one or two search engines to being an important facet of how to reach customers across their digital touchpoints. Nearly three-quarters of retail marketers in our study said their search strategies have expanded to cover channels that weren't included two years ago, including paid social, display and video, and content marketing, and 28% said that integrating paid search strategies with other marketing channels was a challenge.

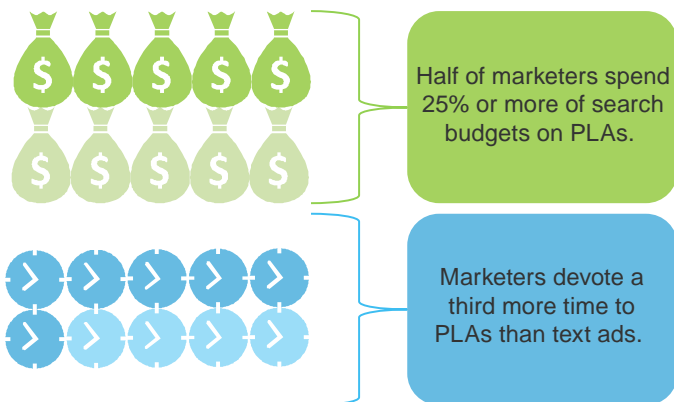
Product Listing Ads Emerge As A Key Priority

While PLAs represent a major opportunity for retailers, they also increase the burden for retailers. 35% of marketers saying they found them difficult or very difficult to manage. That said, PLAs do come with some challenges that marketers should prepare for, in many cases by working with a technology partner or agency:

- › **Challenges with scale.** PLAs can be challenging to scale to a large number of products. The upfront work can be daunting, but this process also requires ongoing monitoring and optimization. Successful programs require ongoing monitoring of which products are performing poorly in PLA listings, informed hypotheses on why that might be, and the courage to remove chronically underperforming products from your PLA program altogether.
- › **Time requirements.** Retail marketers in our study said that they spent about one-third more time on PLAs than on text ads today. They spend 57% of their time on PLAs versus 43% on text ads, which reflects that PLAs are slightly more complicated and are more important because they tend to align more directly to bottom-line revenue. Finally, half of marketers in our study devote 25% or more of their digital marketing budgets to PLAs, indicating their importance (see Figure 5 on the next page).
- › **Mastering operational nuances.** Marketers must be aware of how product feeds translate to PLAs to drive success. For example, abbreviations (“blk” instead of black) and the need to align product titles to user search terms are the kinds of details that can help drive a successful PLA program.
- › **Expansion to mobile.** Mastering PLAs for a desktop experience is one thing, but the rules change when you start to transition to mobile. Before embarking on mobile PLA campaigns, marketers should ensure their site is truly mobile optimized and understand their customers' mobile shopping and conversion behaviors. Leveraging first-party customer data as well as wider industry data can be invaluable in making a prudent determination on mobile PLA campaigns.¹

FIGURE 5
PLAs Are Garnering An Increasing Amount Of Budget And Marketer Time

Investment of time and money by marketers using PLAs:



Base: 186 retailers focused on eCommerce

Source: A commissioned study conducted by Forrester Consulting on behalf of Criteo, November 2016

PLAs DELIVER VALUE BUT REQUIRE INVESTMENT

We saw that marketers in our study who were taking advantage of PLAs devoted significant budget and time to the capability — reflecting how important PLAs are to direct response marketing approaches. Half of the marketers in our study devoted 25% or more of their total search marketing budget to PLAs, and 73% of these marketers were actively monitoring them at least daily.

This reflects PLAs' importance to direct response-oriented retail marketers, but also that PLAs require a nuanced and attentive approach to deliver effectively. For example, one major determiner of PLA success is the creative treatment the product receives — a product that's displayed with high visual appeal can often be the difference between a converted sale and a lost one. Devoting time to the nuance and creative execution of a PLA ad can make a significant difference.

Search Agencies And Partners Reduce Complexity For Marketers

Along with maturity in the space, search agencies and tech providers have grown their sophistication and capabilities — effectively simplifying a number of execution areas for

campaigns, from targeting to bidding to measurement — which enables marketers to run leaner and focus on strategic priorities.

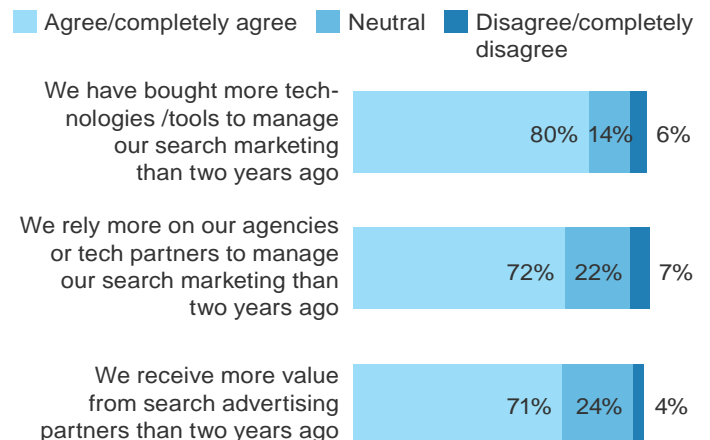
The ever-increasing complexity of managing and executing differentiated search campaigns increases the call for marketers to turn to search partners for help. Specifically, Forrester's prior research has shown that search marketers need an agency or technology partner that has search at its core in order to address top challenges and stay on top of trends. Search partners act as specialists and advise their marketer clients on top search marketing decisions.

MARKETERS REQUIRE OUTSIDE HELP TO MANAGE SEARCH MARKETING TODAY

Our study data indicates that firms have indeed seen their relationship with their search marketing partners deepen over the past two years. For example, 80% of retail marketers said they have adopted more technologies or tools to manage their search campaigns in the past two years. Nearly three-quarters agreed that they rely more heavily on search agencies or technology partners than they did just in the same time period. Encouragingly, 71% also reported that they receive more value from their search partners than was the case two years ago (see Figure 6).

FIGURE 6
Search Marketers Deepen Search Partner Relationships

“How has your paid search marketing practice changed over the past two years?”



Base: 186 retailers focused on eCommerce

Source: A commissioned study conducted by Forrester Consulting on behalf of Criteo, November 2016

Many marketers do not have the number of skilled in-house staff needed to maintain and improve search engine optimization (SEO) and paid search. Forrester's prior research has found that a majority of marketers (53%) use between one and three people for paid search initiatives, while 30% outsource their entire paid search program to an agency or vendor.²

In part, the challenge associated with keeping up with search innovations is that it often requires onboarding new technologies and capabilities, and the retail marketers in our study had taken steps to diversify their technology stack for search marketing. We found that 73% had adopted a shopping analytics platform, 56% adopted shopping feed management technologies, and 46% adopted search bid management tools, in an effort to bolster the automation capabilities of tying together shopping behavior and search marketing.

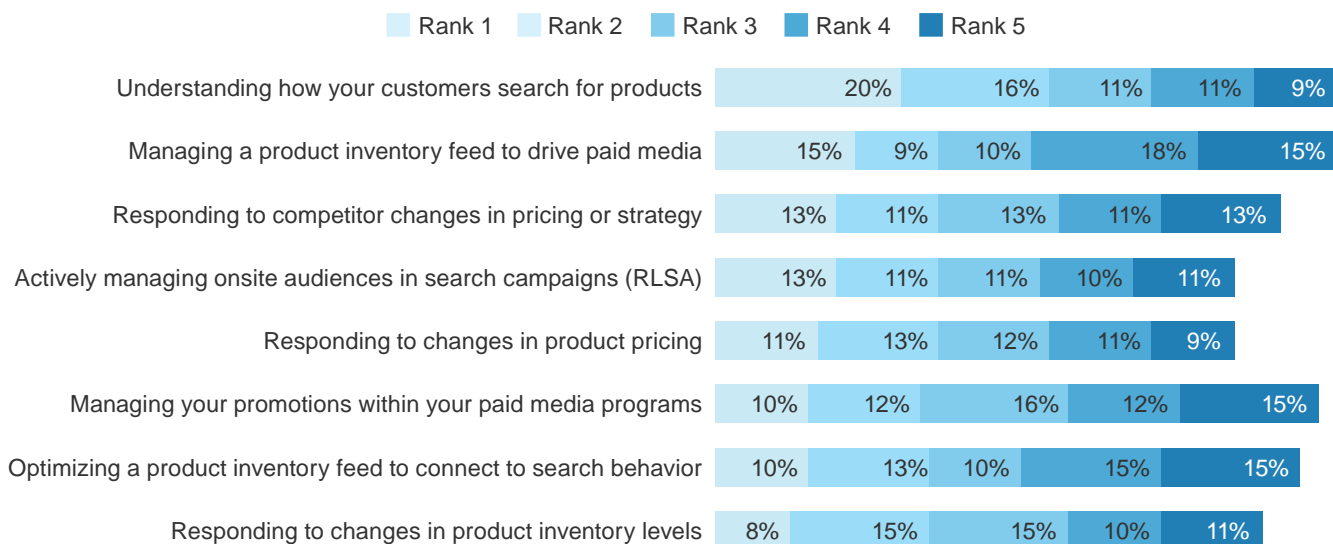
Our study asked retail marketers what kinds of capabilities they valued most from search partners, and they told us they require a broad perspective on customer behaviors, how to translate internal information to smarter search bids, and distilled best practices to rise above the competition (see Figure 7).

These broader views into customer behaviors, bid experience, and competitive intelligence are factors that agencies and tech partners are better equipped to deliver than most marketers, based on the very nature of their work and relationships covering more than one single business or set of product lines.

In addition to providing search expertise, existing partners are important sources of guidance when marketers are looking to bring on new search technologies. Our study found that marketers were most likely to turn to their existing agencies for recommendations on new search marketing tools, to ensure that tools will be compatible with their existing technology stack, background, and capabilities.

FIGURE 7
Marketers Turn To Partners, Seeking Broader Perspective And Expertise

“Please select and rank how important the following capabilities are to your paid search marketing management agency or technology.”



Base: 186 retailers focused on eCommerce

Source: A commissioned study conducted by Forrester Consulting on behalf of Criteo, November 2016

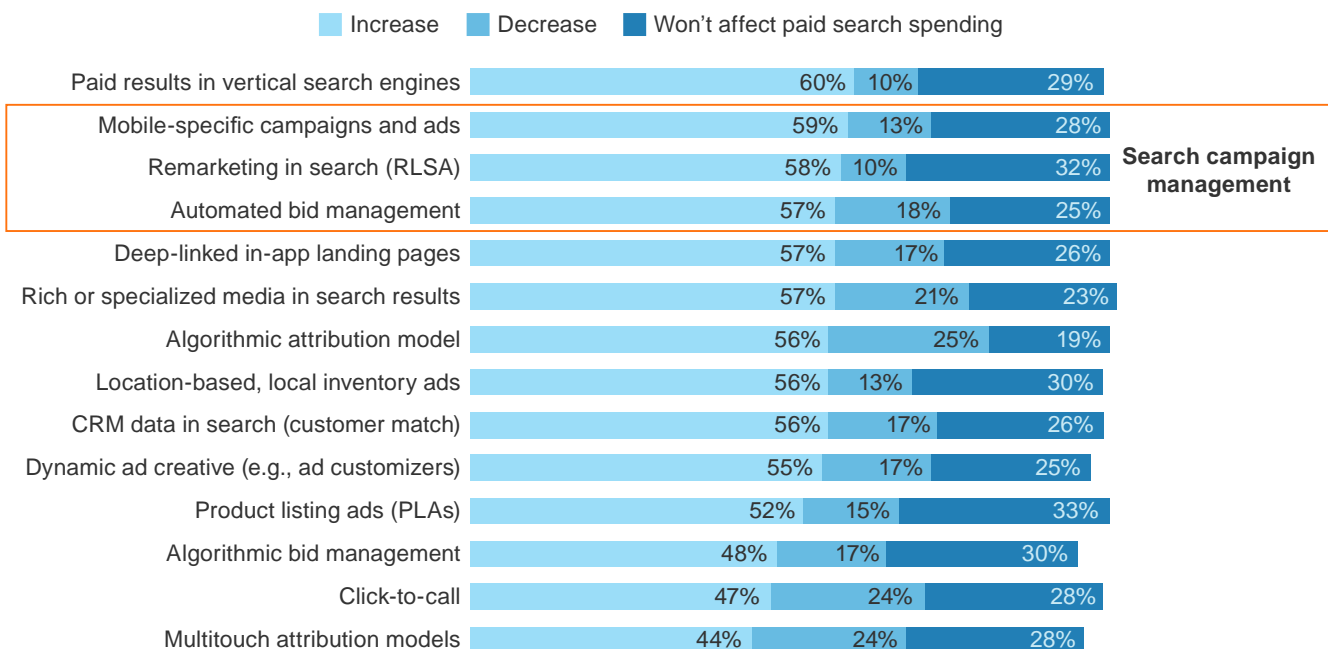
RETAIL MARKETER FOCUS ON PAID SEARCH SET TO INCREASE IN THE FUTURE

With competition in paid search rising and search capabilities expanding, retail marketers are planning to increase spend on the channel in the upcoming year. Over half of the marketers in our study expected their investment (comprising spend, staffing, and time spent) to increase moderately (by less than 25%) next year. They told us that the specific capabilities they felt would drive that increase were paid results in vertical search engines (60% planned to increase next year); mobile-specific campaigns (59%); remarketing in search (RLSA) (58%); and automated bid management (57%). Using deep-linked in-app landing pages and embedding rich or specialized media into search results were also seen as cost drivers (57% each) (see Figure 8).

Core capabilities aimed at search campaign management will continue to be a key area of focus for marketers in the near future, driving investment in budget, staffing and time for marketers, and will be joined by expanding capabilities that come to the market.

FIGURE 8
Capabilities Drive Investment In Paid Search

“In what way do you think your company’s adoption of the following new technologies will affect your company’s investment (including spend, staffing, and time) for paid search?”



Base: 186 retailers focused on eCommerce

Source: A commissioned study conducted by Forrester Consulting on behalf of Criteo, November 2016

Key Recommendations

As a result of this study, Forrester has formed the following recommendations for retail marketers as they look to create or improve their search marketing programs:

- › **Don't be content with "the same old search."** Search capabilities are expanding to reflect greater customer relevancy and impact, as well as new avenues for reaching customers on mobile devices and on social and vertical sites. Retailers that hesitate to expand their capabilities run the risk of missing out on customer discovery and conversions if they wait on the sidelines.
- › **Seek partners that can deliver more than campaign automation and execution.** Keeping up with new (and constantly shifting) trends in search is very difficult for the average marketer, but it's the lifeblood of sophisticated search tech providers and agencies. Look to firms that have a progressive product road map and are excited to act as your search marketing ambassadors, not ones that merely run efficient campaigns. Enlist partners to handle the execution of search campaigns and provide strategic and best practices guidance to your business, freeing up internal resources to do what they do best — creative, strategy, and merchandising.
- › **Invest in product listing ads to maximize the search marketing opportunity.** PLAs are shown to represent a great opportunity for marketers to reach in-market consumers with more detailed product-level information and drive conversions. As high-impact vehicles for driving campaign results and ROI, PLAs are a great area of focus for marketers looking to expand their paid search repertoire.

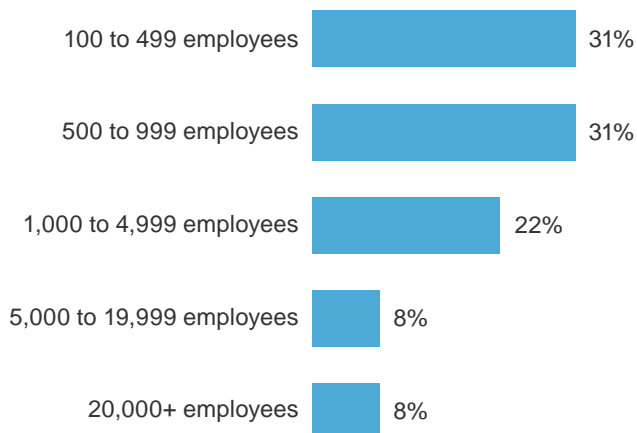
Appendix A: Methodology

In this study, Forrester conducted an online survey and six in-depth interviews with 186 retail marketing decision-makers in the US to better understand shifts in search marketing trends. Survey participants included decision-makers in eCommerce and marketing roles. Questions provided to the participants asked about past and future trends in paid search investment, technology, and strategy. Respondents were offered a nominal financial incentive as a thank you for time spent on the survey, whereas interviewees were given a copy of the study. The study began in early 2016 and was completed in November 2016.

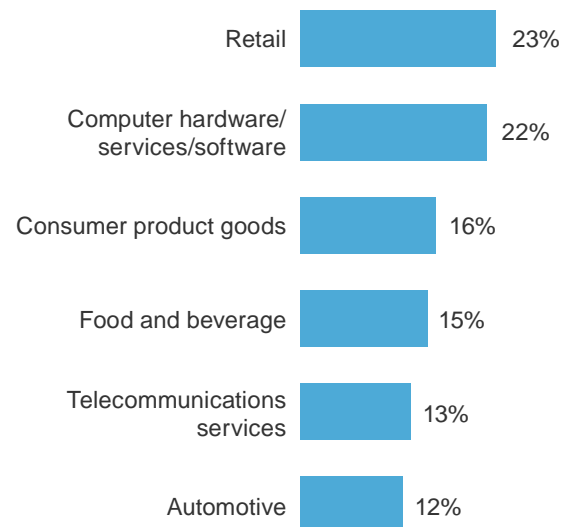
Appendix B: Demographics/Data

FIGURE 9
Survey Demographics

“Using your best estimate, how many employees work for your organization worldwide?”



“Which of the following best describes the industry in which your company conducts business?”



Base: 186 retailers focused on eCommerce
(percentages may not total 100 because of rounding)

Source: A commissioned study conducted by Forrester Consulting on behalf of Criteo, November 2016

Appendix C: Endnotes

¹ Source: “Understand Operational Nuances To Achieve Success With Google Product Listing Ads,” Forrester Research, Inc., December 20, 2013.

² Source: “The Forrester Wave: Search Marketing Agencies, Q1 2016,” Forrester Research, Inc., March 23, 2016.