

Mobile Advertising Around the Globe: 2016 Annual Report





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Executive Summary

In 2015, global smartphone adoption reached an all-time high. Thanks to this rapid expansion of smartphone and smartphone usage around the world, advertisers now have an opportunity to reach consumers even more easily, with click-to-call or click-for-directions ads.

As the leading provider of a cross-channel ad cloud, Marin works with the world's largest and most sophisticated advertisers, allowing us to gain insight into prevalent trends around smartphone and tablet usage across search, social, and display – channels that are critical for reaching the most consumers.

This report covers three specific findings:

- 1. Clicks and spend have gone mobile.** In 2015, mobile devices represented the majority of consumer online usage for the first time. Consumers are now spending more time and attention on mobile devices than desktop – as a result, advertisers have been shifting spend away from desktop towards smartphones and tablets to catch consumer attention and generate clicks. We predict this trend will continue.
- 2. Desktop is becoming more like mobile.** As the mobile format gains traction with consumers and advertisers, publishers are innovating. While mobile ad formats formerly took cues from desktop, publishers are now swapping the formula, making desktop ad formats and pages more similar to mobile.
- 3. Mobile conversion is gaining traction.** Desktops are still the primary conversion-driving device; however, within the past year, conversion rates have been growing on mobile devices. While mobile devices have historically been used for product research or upper-funnel activities, this is changing, as better mobile attribution and ad formats are released. Expect this trend to continue.



Introduction

On an evermore interconnected globe, the world is becoming more and more centered on the usage of smartphones and tablets. Mobile device adoption has reached the point where it's now the majority device of choice. This comes as no surprise, with eMarketer having predicted that the number of tablet and smartphone users would hit 1.06 billion¹ and 2.04 billion,² respectively, by the end of 2015 – meaning a significant portion of the global population now uses a mobile device regularly.

As the mobile marketplace and consumer adoption of smartphones increases, advertisers have taken notice. In 2015, mobile advertising spend versus desktop reached an all-time high of 52% of all US digital advertising spend.³

This research brief analyzes mobile trends from 2015, forecasts the state of mobile advertising for 2016, and examines the overall performance of mobile ads across devices and channels. Our objective for this report is to help digital marketers understand the new advertising landscape in developing effective benchmarks and strategies for success.

Methodology

In this study, we looked across leading brands and advertisers that manage more than \$7 billion in annualized search, social, and display spend. Our data set represented all major industry sectors in the following countries or regions:

- | | | |
|-------------|---------------|------------------|
| ● Australia | ● India | ● Singapore |
| ● Brazil | ● Japan | ● United Kingdom |
| ● Canada | ● Mexico | ● USA |
| ● China | ● New Zealand | |
| ● Eurozone | ● Russia | |

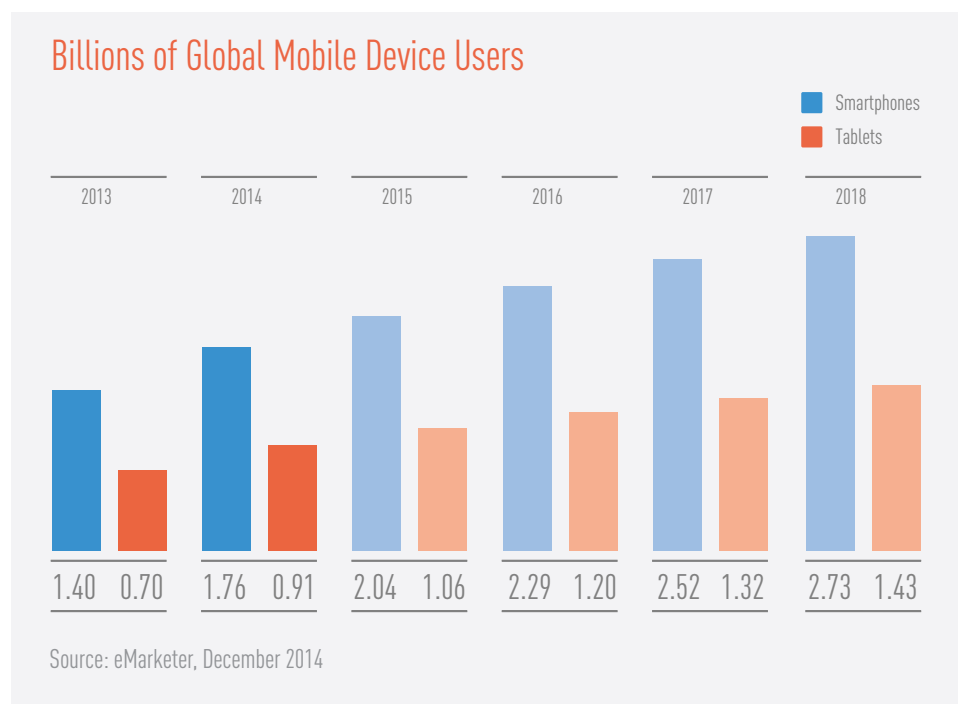
The size and diversity of our data set, coupled with our broad geographic coverage, enables us to provide the most comprehensive report on how mobile devices are changing consumer behavior across search, social, and display. That being said, our clients mainly consist of large advertisers spending upwards of \$100,000 per month on paid-search, social, and display. As such, the information presented in this report is biased towards larger advertisers, and may not reflect mobile search, social, and display trends for small or medium sized businesses.

1. <http://www.emarketer.com/Article/Tablet-Users-Surpass-1-Billion-Worldwide-2015/1011806>
2. <http://www.emarketer.com/Article/Worldwide-Smartphone-Usage-Grow-25-2014/1010920>
3. <http://www.emarketer.com/Article/Mobile-Account-More-than-Half-of-Digital-Ad-Spending-2015/1012930>

Findings: Overview

Throughout 2015, consumer adoption of mobile devices truly reached near-peak. Across all three channels, mobile devices were the choice for “always on” consumers. People used mobile devices more than ever to conduct online research, browse the web, check social networks, and most importantly for advertisers, click on ads.

In 2015, US advertisers spent over \$30 billion on mobile ads, and that number is only set to increase, with 38% growth expected in 2016 and double-digit growth expected for the next three years.⁴ Globally, mobile ad spend in 2016 is predicted to top \$100 billion. eMarketer forecasts that in 2019, global ad spend will be 70% of all digital ad spend, versus 40% in 2015, and will be 51% in 2016.⁵ This is all driven by aggressive adoption of mobile devices worldwide, with over two billion smartphone users around the world and more being added every day.

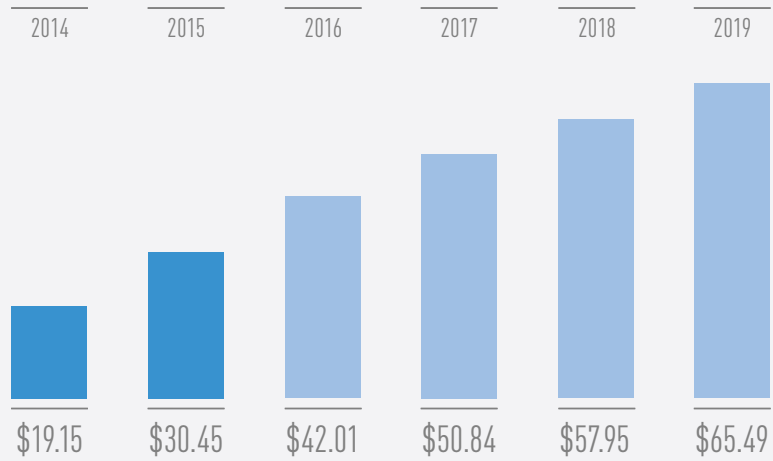


4. <http://www.emarketer.com/Article/Mobile-Account-More-than-Half-of-Digital-Ad-Spending-2015/1012930>

5. <http://www.emarketer.com/Article/Mobile-Ad-Spend-Top-100-Billion-Worldwide-2016-51-of-Digital-Market/1012299>

US Mobile Ad Spend in USD

(Billions)



Source: eMarketer, September 2015

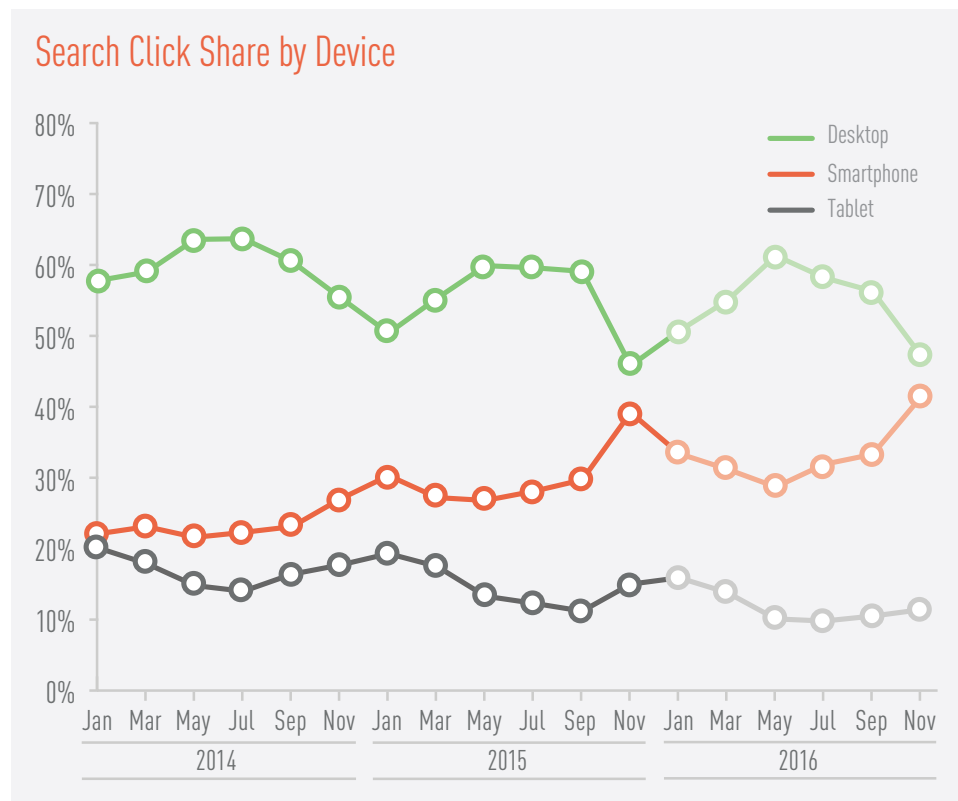
Findings by Device

Search

Over the past two years, there has been a steady shift in click share away from desktops to smartphones. Tablet click behavior has been relatively flat, with a slow, gentle decline in click share.

When comparing December 2014 versus 2015, smartphone click share grew from 22% of global search clicks to 35%, an almost 55% growth over the course of a single year. However, while smartphone click share grew steadily, this didn't come at the expense of desktop usage. Rather, tablet usage is decreasing and smartphones are now taking more click share away from tablets than desktops.

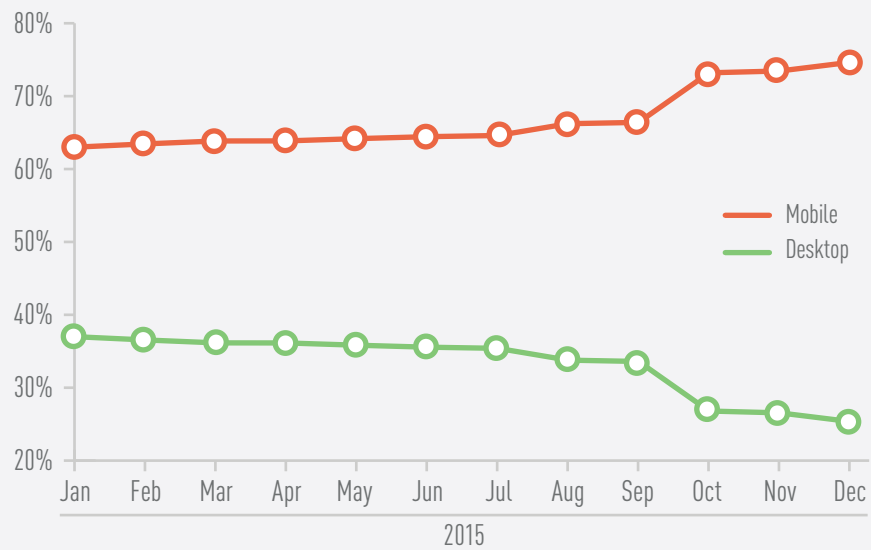
Based on the last two years' worth of data, click share is stabilizing around a 55–35–10 desktop–smartphone–tablet split and will continue fluctuating around this split for the next year.



Social

Social has always been the first channel to be majority mobile for clicks. Unlike search and display, social click share held relatively consistent across the past year, with the majority of clicks coming from a smartphone or tablet. While click behavior on social networks held mostly steady, there was a slight increase in mobile click share in the second half of 2015.

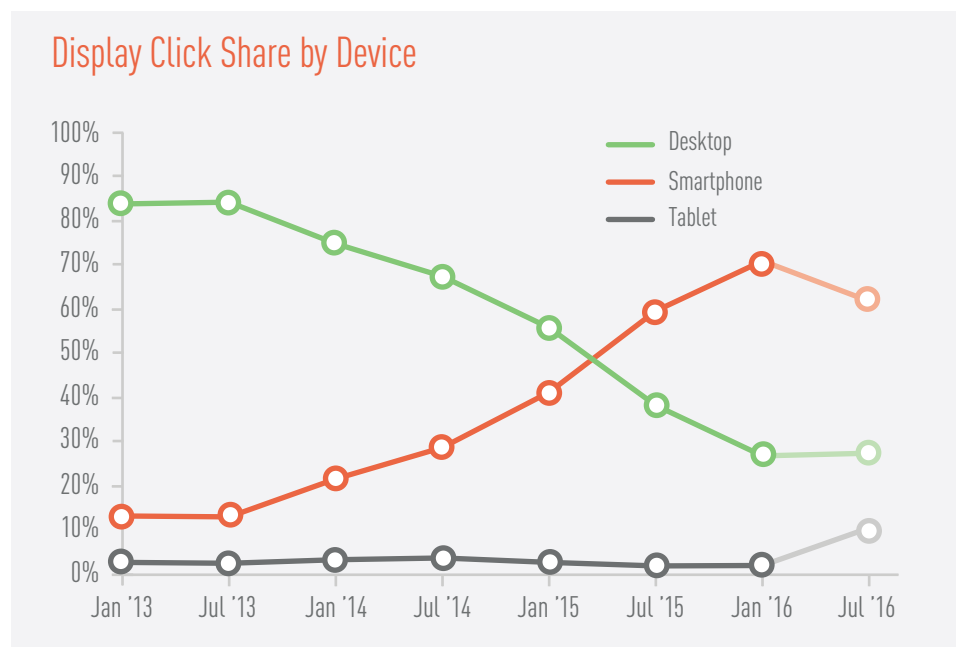
Social Click Share by Device



Display

For the display channel, click share became solidly smartphone-focused in early 2015, when smartphone click share overtook desktop and rapidly gained a large majority of clicks for display advertisers. By the end of 2015, 71% of all display ad clicks were on a smartphone and the trend is predicted to continue this year, reaching 77% of all display ad clicks by December.

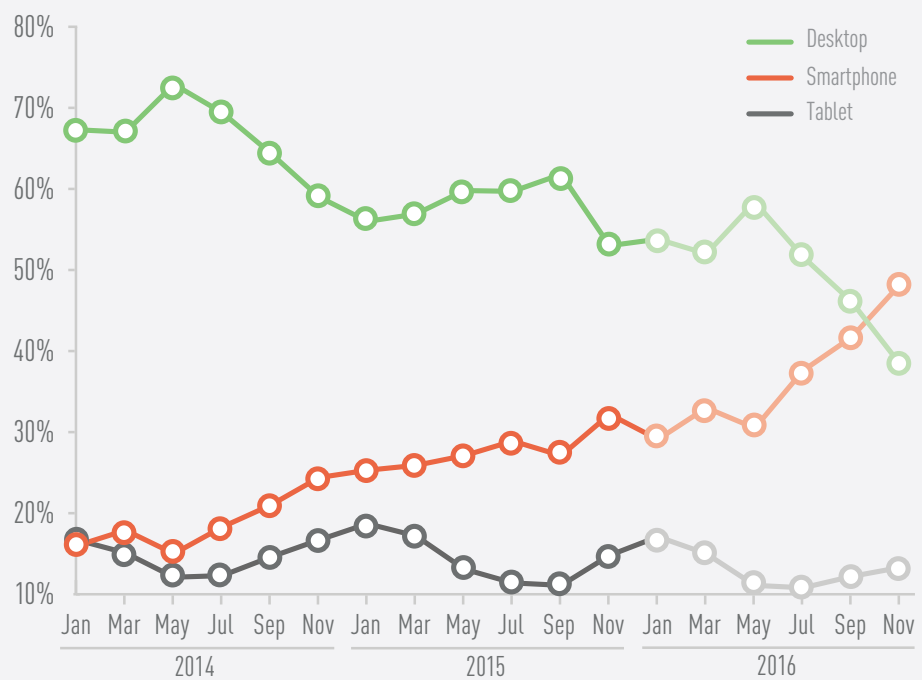
Tablet click behavior is flat for tablets, holding steady at around the 10% mark for the past few years. This rapid shift away from desktops towards smartphones is a natural result of the widespread, global adoption and usage of smartphones over the past few years.



Device Performance: Spend Share and CTR

Across 2014 and 2015, there was a steady shift in search spend share away from desktop to smartphone and tablet. Mobile spend share grew almost 50%, from 33% to almost half of all budgets. In 2016, we expect to see this growth continue, largely fueled by smartphone spend share gobbling up desktop spend share. By the end of 2016, we predict that smartphone spend share will overtake desktop spend share, with 45% of all ad dollars being spent on a smartphone, slightly edging ahead of desktops.

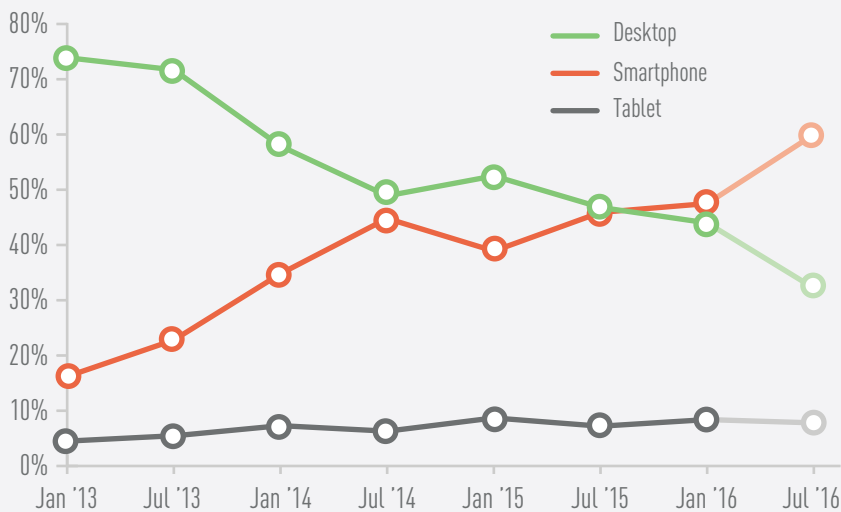
Search Spend Share by Device



Display spend behavior seems to have mostly plateaued, with the majority of budget being spent on smartphones at the end of 2015. Year over year, smartphone spend share for display moved from 37% to 55%, a huge amount of growth in just a single year.

This trend is expected to continue throughout 2016, with a prediction for smartphone spend share to reach 65% by end of year. Tablet display spend share is mostly flat, but is also expected to grow slightly throughout 2016 to 8% of spend share.

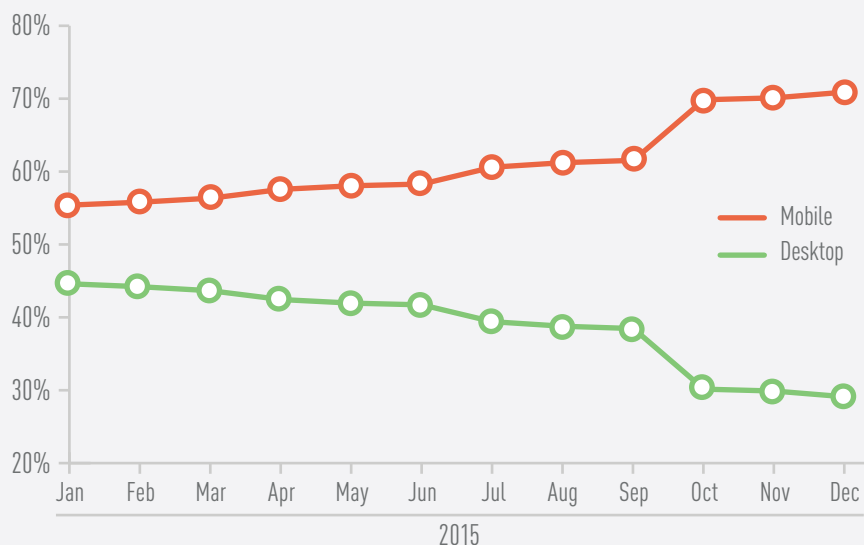
Display Spend Share by Device



Similar to click share, social spend share is also heavily mobile-centric. It comes as no surprise that mobile devices already make up the majority of social ad spend, with over 70% of it being used on smartphone and tablet advertising. This mirrors the almost 75% of social clicks on smartphones and tablets.

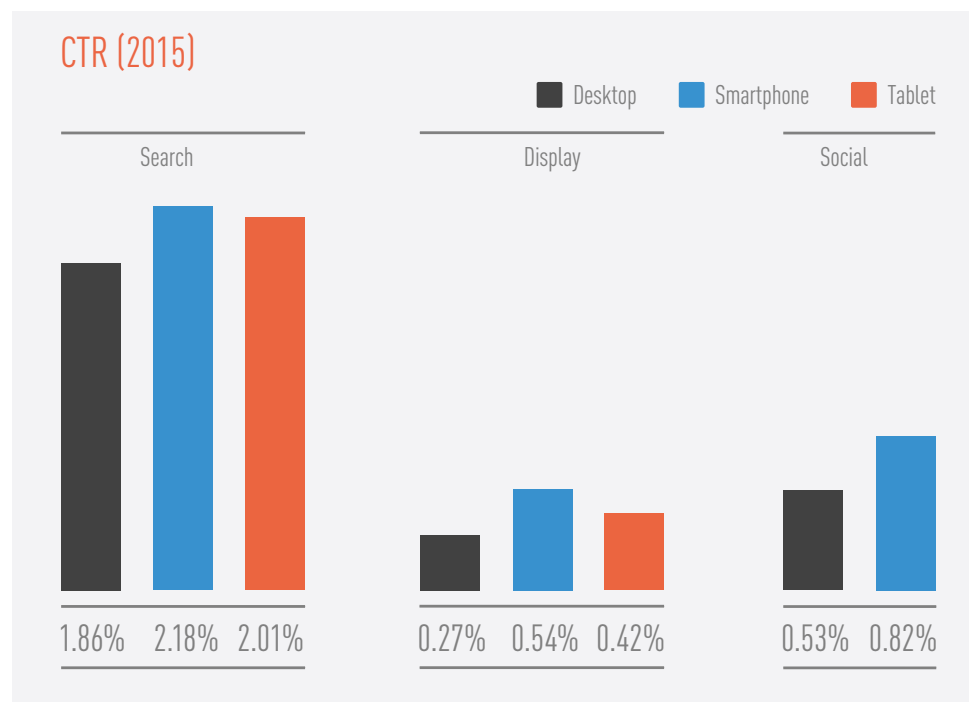
Over the past year, mobile devices captured consumer attention and clicks more than ever, so marketers need to be increasingly aware of where they allocate their budgets. There was a particularly significant bump around Q3 of 2015.

Social Spend Share by Device



As consumer mobile usage grows, so does advertiser spend and attention on mobile devices. New ad formats and innovation for mobile phones have been emerging for all three channels. Search for desktop is becoming more similar to the mobile format, and new video and banner ad formats are coming out for mobile display – advertisers are innovating to ensure they can still engage and interest consumers on their mobile devices.

It's clear that smartphones have higher click-through rates than desktops and tablets, which show similar click-through behavior. However, as we reported in prior reports, the reason why smartphone CTR is so much higher than desktop and tablet has to do with the mobile format itself. Search remains the primary channel for users to find goods and services, making search ads very relevant to user intent. Since users may not be looking for them, social and display ads are secondary in browsing intention.



All around the world, smartphones and tablets are now the primary devices consumers use to browse the Internet, and advertisers are definitely quick to follow suit to reach this online audience. With all the effort being spent on how to reach and engage consumers on their mobile devices, it's no wonder that all these new ad formats and ad types are springing up out of the woodwork and that innovation is king for smartphones and tablets.

So, what are some tips for the smart marketer to reach their mobile audience?

Recommendations: Optimizing Mobile Advertising Across Channels

It's critical for marketers to stay current with device trends, and to adapt their current advertising strategy for cross-device and cross-channel advertising. Here are a few best practices to take into account.

- 1. Play to each channel's and device's strengths.** Marketers need to identify what they're looking to accomplish. For the brand advertiser, it makes sense to allocate more spend toward mobile ads on social and display networks, which are strong on branded advertising and consumer usage. Customizing a strategy based off each channel's and device's strengths can help meet marketing goals and maximize sales.
- 2. Correctly attribute mobile conversions.** While improvements have been made to correctly attribute in-store conversions to mobile devices, there's still a lot of room for improvement. Marketers should look into tracking mobile ad formats like click-to-call and store locator. If successful, they can better estimate revenue from mobile transactions and adjust budget accordingly. Since mobile app usage accounts for a majority of smartphone usage, having a reliable way to link mobile app activity to mobile app purchases and browsing is important for every marketer.
- 3. Optimize ads for the mobile experience.** Research shows that different ad formats vary in effectiveness between channels. For example, 970×250 display ads work best for desktop, while 320×50 display ads work best on smartphones. Make sure to properly set ads for these differences in screen size and devices. Click-to-call and store locator ads should be added for mobile-search ads. This will help ensure effective consumer reach and click-through. Mobile app advertising is also a crucial part of the mobile experience. New ad types specialized for mobile pages have been introduced across all three channels and should be used to increase engagement.
- 4. Target consumers across devices and channels.** Cross-device retargeting is more crucial than ever with consumers using desktops, tablets, and smartphones in conjunction. Make sure to find a way to retarget these consumers across all channels and devices effectively, to bring down costs and increase consumer awareness. This can be done through third-party solutions that have trackers that can follow user activity across devices to the point of conversion, and retarget ads cross-channel and cross-device.

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5. **Invest in mobile app advertising.** Mobile apps account for almost 90% of all time spent on mobile devices and 60% of mobile users say they use apps daily. This makes mobile app advertising an important tool in any marketer's toolbox, with in-app ads an important way to reach consumers and engage them. This is especially true for social media, as Facebook is the most-used app on smartphones and tablets.

About Marin Software

Marin Software Incorporated (NYSE: MRIN) provides a leading Revenue Acquisition Management platform used by advertisers and agencies to measure, manage and optimize more than \$7.8 billion in annualized ad spend. Offering an integrated platform for search, social and display advertising, Marin helps advertisers and agencies improve financial performance, save time, and make better decisions. Marin's technology powers marketing campaigns in more than 160 countries. For more information about Marin's products, please visit: <http://www.marinsoftware.com/solutions/overview>.