



salesforce

Advertising Index Report

Discover global insights, from campaign performance
for top markets to industry verticals.

Q1 2017



Contents

INTRODUCTION

The State of Advertising.....	2
-------------------------------	---

CHAPTER 1

Digital Marketing in 2017.....	4
--------------------------------	---

CHAPTER 2

Retail Digital Advertising.....	8
---------------------------------	---

CHAPTER 3

Financial Services Digital Advertising.....	12
---	----

CHAPTER 4

B2B Digital Advertising.....	16
------------------------------	----



Digital Advertising by the Numbers



\$229B

in global digital advertising spend predicted in 2017*



56%

of digital advertising is on mobile in 2016*



103%

of industry growth in the U.S. in the first half of 2016 came from Google and Facebook†



76%

of local mobile searches result in a retail store visit within 24 hours‡



Top 5

in digital advertising spend, the financial services industry is thriving in the U.S., U.K., Australia, and Germany*



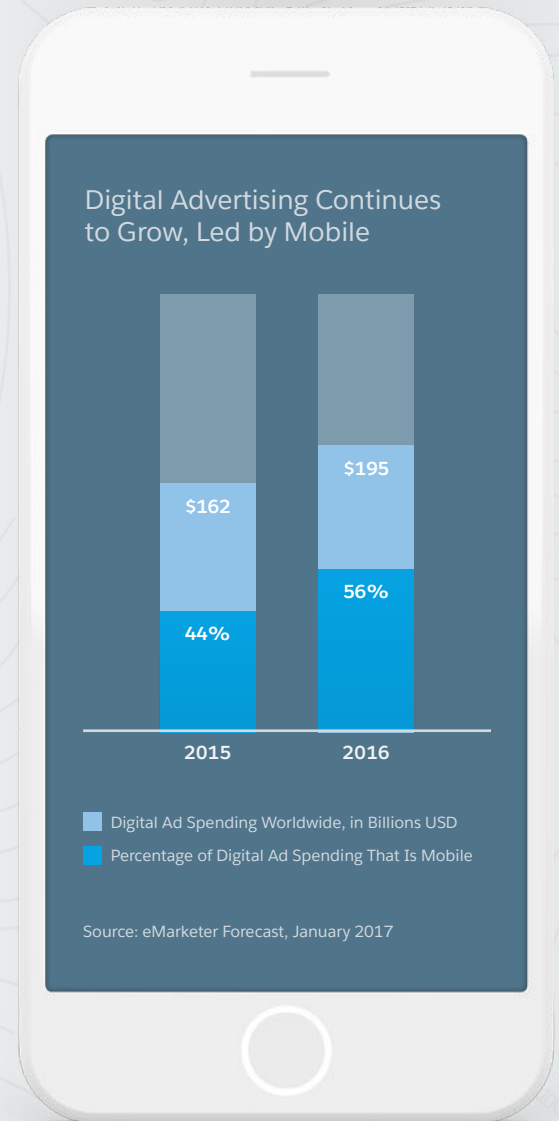
\$2.2B

will be spent on digital lead generation ads in the U.S. alone in 2017§

The State of Advertising

Digital advertising continued to grow in 2016, increasing by 20% year over year, and is predicted to grow by another 18% in 2017 to reach \$229 billion.

Much of this growth is attributed to the explosion of mobile advertising (which jumped from 44% of all digital ads globally in 2015 to 56% in 2016), and the dominance of Facebook and Google.





Retail and Ecommerce

The retail industry continues to own the title of “biggest digital advertising spender,” spending \$15.8 billion in 2016 in the U.S. alone, and looks to hold its position at #1 through 2020. Other areas in which retail is leading the way are mobile ad spend (directing an estimated 67% of its 2016 digital advertising budget there) and video advertising (13% of all retail spend).



Financial Services

Financial services is undergoing a major shift in how customers want to interact – in a mobile-first way. In the U.K. and U.S., 71% of people are now using mobile banking apps, forcing advertising to follow suit and allocate a large chunk of its digital advertising budget (63% in 2016) to mobile.



B2B

In the B2B digital advertising landscape, we are seeing both growth and innovation, as well as the disruption of traditional business flows due to younger decision-makers and the increased adoption of mobile. Top marketers are using CRM to power their digital advertising to achieve higher engagement rates and lead-generation quality.



Digital Marketing in 2017

Key and Emerging Trends

Overall, digital advertising continued to grow rapidly in 2016, with an overall increase of 20% year-over-year results from 2015, and with another 18% predicted for 2017, according to eMarketer.

That growth will not be evenly distributed, however. Mobile advertising as a percentage of all digital ad spending is exploding. According to eMarketer, it jumped from 44% of all digital ads in 2015 to 56% worldwide in 2016, and will continue to grow to 69% in 2018.

While 69% of all ad revenue coming from mobile ads sounds high, it actually trails mobile usage. In the United States, mobile is two-thirds of all digital time spent today (Comscore), and mobile advertising is “only” 52% of all advertising. Across all mediums, advertising has always, and will always, follow eyeballs.

69% of all ad revenue will come from mobile in 2018.

The \$229 billion in advertising will be almost entirely split into two large buckets: search advertising, with \$104 billion, and display advertising – a broad category that includes banner ads, all video ads, and native ads on platforms like Facebook – with \$108 billion (eMarketer).



The companies that have proved their ability to personalize advertising on mobile platforms are dominant today. This includes Google and Facebook, but also other platforms that focus on how to integrate CRM-based data as well as other anonymized identity data with advertising.

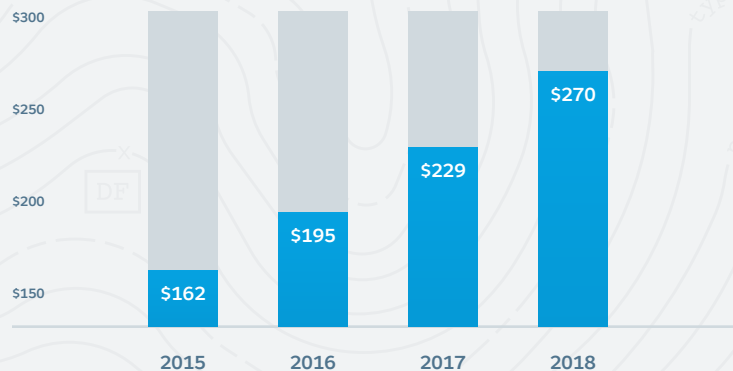
Facebook and Google

In June 2016, Mary Meeker's Kleiner Perkins "Internet Trends" report said 76% of the growth in digital advertising the prior year went to Facebook and Google, based on an analysis of IAB trends data.

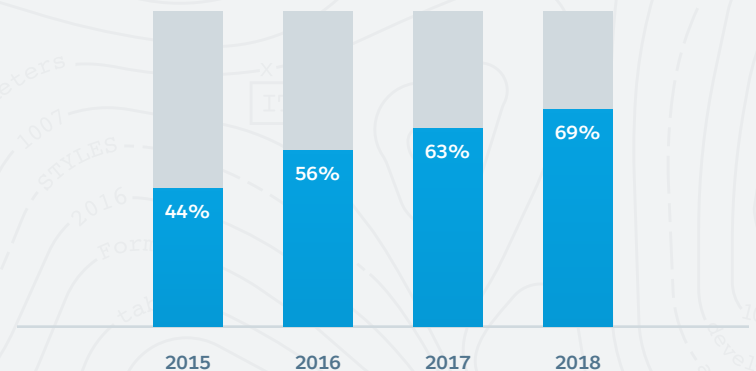
But the dominance of those two platforms goes further. An analysis of the new IAB/PwC "Internet Ad Revenue" report shows that **103% of the industry growth in the United States in the first half of 2016 came from Google and Facebook**. Yes, that means that the rest of the digital advertising market actually shrank by 3%, despite the 20% growth of digital advertising overall.

Bottom line? **In 2016, Google and Facebook accounted for \$41 billion in U.S. advertising revenue, or 58% of all digital advertising revenue in the U.S.** By 2018, eMarketer predicts that their combined revenue will have grown to \$57 billion and their share of all digital advertising will increase to 61%.

U.S. Digital Advertising Revenue, in Billions (USD)



Percentage of Digital Advertising That Is Mobile



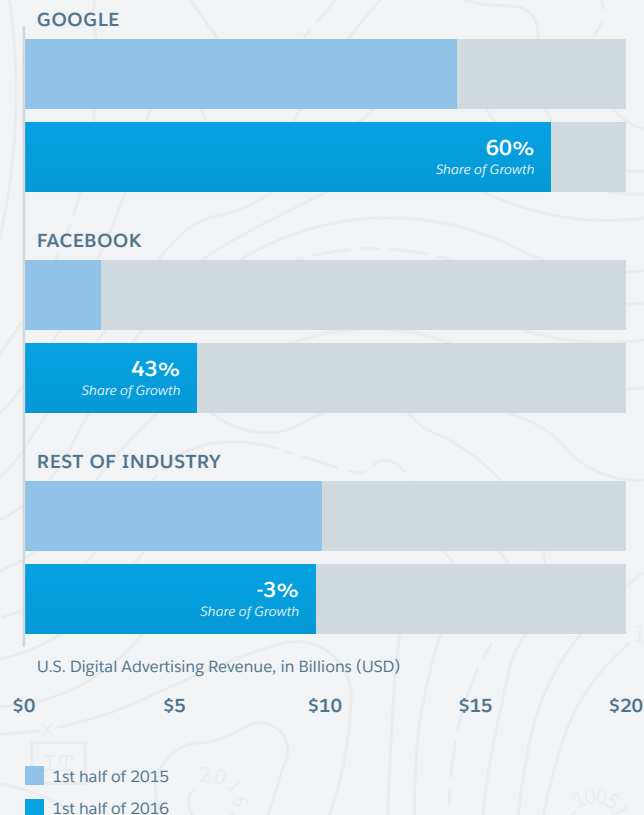
The growth of mobile advertising and of Facebook and Google have happened in parallel because both of these platforms understand how to make advertising relevant and engaging in a mobile-first world.

As of Q3 2016, Facebook had 1 billion users who were mobile only, up from 456 million just two years earlier. **In Q4, 84% of all Facebook ad revenue came from mobile – up from 41% in Q2 2014** and \$0 at the time of the Facebook IPO in May 2012. It truly is a company that has transformed its business in a very short period of time.

In Q4, 84% of all Facebook ad revenue came from mobile.

Google has also gone through a transformation, as the desktop search page of Google.com is no longer the first place people interact with Google. Instead, in May 2015 Google announced that “more Google searches take place on mobile devices than on computers in 10 countries including the U.S. and Japan.” Additionally, the percentage of “shopping-related” Google searches that come from smartphones has grown by another 30% in the last year.

103% of Digital Advertising Growth Came from Google and Facebook



Source: IAB/PwC Internet Ad Revenue Report, 2016

Unlike Facebook, Google doesn't break out its revenue by desktop versus mobile. However, eMarketer estimates that 51% of Google's search revenue in 2016 was mobile, and that number is expected to grow to 63% by 2018.

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With these macro trends toward mobile, and with the growth of Google and Facebook squarely in front of us, this report dives into specific trends for retail, financial services, and B2B industries.



Retail Digital Advertising

The retail industry continues to own the title of “biggest digital advertising spender” for yet another year, and looks to hold its position through 2020. In the United States, retail marketers will invest \$18.2 billion in paid digital media advertising in 2017, a 14.8% increase over 2016 (eMarketer).

Of particular importance is the retail industry’s dedication to mobile. Retail spends the most on mobile of any industry by far, influencing customers’ purchasing behavior both in-store and on ecommerce

sites. The U.S. retail industry directed an estimated 67% of the retail industry’s digital ad spending on mobile advertising in 2016, up from 52% in 2015. **With an estimated \$10.1 billion as of 2016, retail will own 23.2% of total mobile ad spending in the U.S., the largest of any industry.**

In the United States, retail marketers will invest \$18.2 billion in paid digital media advertising in 2017, a 14.8% increase over 2016.

Thanks to mobile media, advertisers are now able to target with greater precision, allowing for a more personalized shopping experience for customers. In fact, **29% of respondents were more likely to visit a retail store as a result of a location-based promotion. Another 27% were more likely to visit a store based on a text notification.** Thanks to Google, brands are now able to target users more precisely.



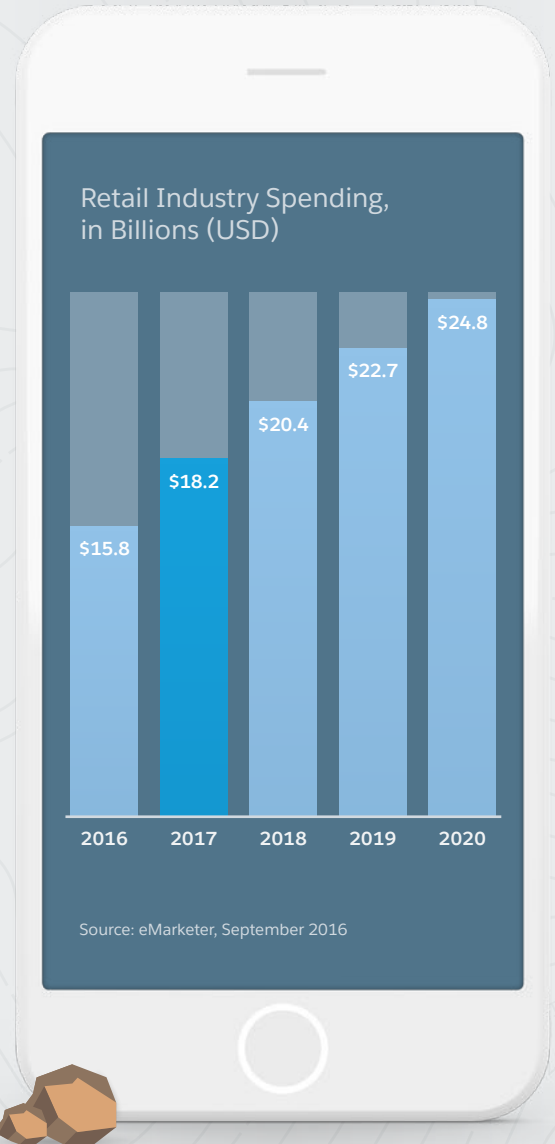
* Source: eMarketer, December 2017



Today, consumers no longer look up a brand's contact info in the yellow pages. Instead, Google search allows customers to get all the information they need, such as the nearest brick-and-mortar location, the phone number, and hours of operation, in addition to promotions and deals – all at the top of their search results. This information is key to winning consumers in today's world and is often how the best brands win over their competitors.

Not only is retail consuming much of the mobile media spend, it's also the largest investor in digital video advertising. **Retail advertisers spent \$2 billion in the U.S. on digital video in 2016 – or 13% of all advertising (eMarketer).** Additionally, in a 2015 survey, the IAB found that **71% of retail advertisers will shift money from TV to support digital video.** Thanks to digital video media, advertisers allow consumers to get an almost in-store shopping experience, without even having to enter a physical store.

Retail, and especially ecommerce, has always been one of the industries most affected by search advertising. More than half (51%) of all retail ad spending in the United States today is spent on search advertising, for a total of \$8 billion, according to eMarketer. Because a search often directly shows purchase intent (for example, “size 8



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strappy black heels” or “new all-mountain skis”), Google has built its entire search business on matching that purchase signal to advertising.

The growth of mobile search has also been a major boon to retailers, because now both ecommerce purchases and physical store purchases can be linked to a click on a search ad. In fact, three-quarters (76%) of people who use their smartphones to do a local search visit a business they find via search within 24 hours, with 28% of the searches resulting in a purchase, according to Google.

Retailers are collecting more data on their customers than ever before, in part by issuing more loyalty cards and by using better CRM systems to track ecommerce purchases. In fact, 72% of consumers globally agree that they'd buy from a brand with a loyalty program over one without a program, according to Nielson. All of this data can be used to personalize search advertising. Brands today can use what they already know about their current customers (first-party

CRM data) to acquire all-new customer segments using Facebook Custom Audiences and Facebook Lookalike Audiences. Take Banana Republic, a modern fashion brand for professionals, for example. The company used these Facebook tools to acquire a whole new customer base during the holiday season – by targeting segments

BANANA REPUBLIC

Banana Republic used Facebook to target segments of customers who were similar to their existing high-value customers, resulting in:



4X

higher return on investment



60%

higher click-through rate with lookalikes than through other display media

Source: Facebook Business Success Stories, "Banana Republic: Finding new shoppers like the best shoppers"

Three-quarters of people who use their smartphones to do a local search visit a business they find via search within 24 hours, with 28% of the searches resulting in a purchase.

of customers on Facebook who had similar online behavior and attributes as their current high-value customers. As a result, the brand saw a 4x higher ROI and a 60% higher CTR with lookalikes than through other display media.

Google Customer Match has helped retail advertisers find the same success using CRM data to reach new customers. For example, Life Style Sports, Ireland's largest sports retailer, used Customer Match in a Gmail campaign for Black Friday in 2015 to both reengage existing customers and reach potential customers with similar traits. Using Customer Match, Life Style Sports reached out to customers who had made purchases the previous year during the Christmas period, and also took advantage of similar audiences to expand its reach to potential new customers. As a result, the brand's Black Friday Gmail campaign achieved a cost-of-sale result 75% below its target, with 40% of purchases coming from new customers.

**LIFE
STYLE
SPORTS**

Life Style Sports used a Black Friday Gmail campaign to reengage existing customers and reach potential customers.



40%

of purchases coming from new customers



75%

below cost-of-sale target

Source: Think With Google, "Life Style Sports Connect on Black Friday with Gmail Ads," October 2016



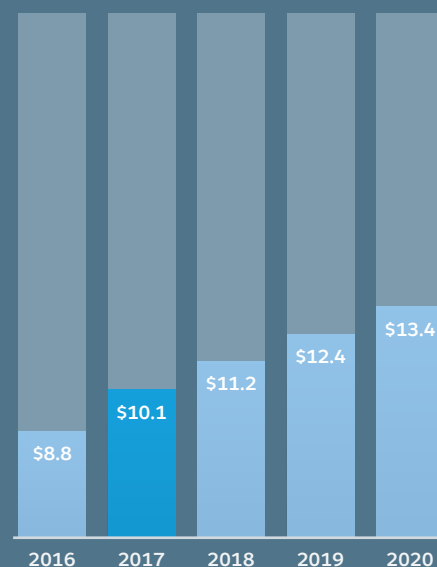
CHAPTER 3

Financial Services Digital Advertising

In 2017, the United States financial services industry will spend \$10.1 billion on digital advertising, a 13.1% gain from 2016, according to eMarketer. That means this industry is the third-largest advertiser in the United States, trailing only retail and automotive. These eye-popping numbers repeat in most other countries. In Australia, the U.K., and Germany, financial services digital advertising is the fifth-largest industry, consuming between 8% and 12% of all media ad spend.

How customers interact with financial services is undergoing a second major shift right now. In the first shift, customers started engaging with their financial institutions online. Today, many customers think of their brand relationships with a mobile-first mindset. Today, 71% of people in the U.K. and U.S. use banking mobile apps, according to SNL Financial. The trend is even stronger among younger customers – 89% of people between the ages of 21 and 30 in the United States check account balances through a mobile website or app. It's not

Financial Services Industry
Spending, in Billions (USD)



Source: eMarketer, September 2016

just that customers use mobile apps, they also consider them key differentiators: **26% of people who switched banks last year did so because they “wanted a better mobile bank app experience.”**

Mobile advertising has followed suit. In 2016, 63% of the \$8.37 billion in financial services digital advertising was on mobile.

In 2016, 63% of the \$8.37 billion in financial services digital advertising was on mobile.

Facebook is a major driver of that mobile ad spend. It will have nearly \$30 billion in mobile advertising revenue next year, driven by a mobile-first user base and ads that drive strong business results.



Source: SNL Financial, “Mobile Money Survey,” February 2015

Google remains the largest platform that financial services advertisers spend their dollars on, although in 2016 display advertising began to grow (reaching 44%, from 42% in 2015) relative to search (47%). **Search has always been an expensive proposition for financial services, with the top three most expensive keywords all being associated with this industry:** “insurance,” “loans,” and “mortgage,” at \$55, \$44, and \$47, respectively, according to WordStream. Search Engine Land has gone a step further, and found that some of the most expensive exact-search phrases include “auto insurance philadelphia pa” at \$293 and “vermont mutual car insurance” at \$275. In the U.S., these keywords are interspersed with legal and B2B keywords, and there are similar results in the U.K.

What should advertisers do to stay ahead of these trends?

Use the data you already have about your customers to make advertising personalized, based on their relationship with your brand. In financial services, you already have many powerful ways to digitally segment your customers, including by what products they have with you, what spending tiers they are on, where they are located, and how long they have worked with you. This is a unique advantage compared to almost any other industry that is among the largest

Amplify estimates that it would have needed to double its advertising spend with its prior marketing program to achieve the same number of leads per month as it does now with Advertising Studio.

advertisers. For example, many retail purchases are made in physical stores and aren't tied back to a known customer, unless he or she is using a loyalty card. CPG brands have it even harder – most of their customer relationships are indirect. Automotive companies may build a personal relationship at the point of purchase, but it is usually not a long-term ongoing relationship.

But data can be extremely difficult to use. According to Capgemini Consulting's "Big Data Alchemy: How Can Banks Maximize the Value of Their Customer Data?" report, the number one impediment to using data for decision-making is that it is often stored in silos and is difficult for advertisers to access.

Additionally, **protecting your customers' personal information is not just the law in this highly regulated industry but a critical component of maintaining customer trust and relationships.**

To balance these competing needs, Google Customer Match and Facebook Custom Audiences allow advertisers to simply upload SHA-256 hashed

copies (a one-way transformation) of customers' personally identifiable information (PII), including email addresses and phone numbers, so they can make advertising part of the customer journey without the information ever leaving their company.

As one example, Amplify Credit Union, a member-owned financial cooperative with 57,000 members in eight locations throughout Texas, implemented Salesforce in 2015 to streamline its customer data, which was spread across 80 different systems.

With Salesforce's single view of the customer, Amplify can now upsell, cross-sell, and prospect and nurture new customers more efficiently than ever before. Reporting time, for example, has decreased by 98%, according to Nucleus Research, and Amplify executives estimate that they would need four additional full-time marketing employees to do the same amount of work as the company's marketing department does now. **That's saved over \$300,000 in employee salaries alone.**



Beyond the personnel and reporting efficiencies, since launching Salesforce Advertising Studio, Amplify has seen lead generation jump by 50% and CPA drop by 50% because of the power of lookalikes based on existing Amplify customers. The company estimates

it would have needed to double its advertising spend with its prior marketing program, which was driven off its own CRM, to achieve the same number of leads per month as it does now with Advertising Studio.



A Salesforce Customer Story

Implementing Salesforce Marketing Cloud led to an annual net profit of over \$1.4 million and a 400% increase in revenue for Amplify's outbound sales team.



50%

increase in leads generated
by using CRM data



50%

decrease in CPA



98%

decrease in employee
hours devoted to reporting

Source: Nucleus Research on behalf of Salesforce



CHAPTER 4

B2B Digital Advertising

The B2B landscape is changing at a rapid pace. It increasingly relies on sophisticated technologies and a comprehensive digital mobile strategy to be relevant to the modern buyer.

According to Salesforce's "State of the Connected Customer" 2016 [report](#), **84% of B2B buyers under age 35 believe mobile is essential to their work** and more than half (57%) of business buyers say they're likely to switch brands if a company doesn't provide an easy-to-use mobile experience.

Not only is this group making and influencing today's purchasing decisions, but they will continue to do this for decades to come – and they are the C-suite leaders of tomorrow.

According to a Google study, **42% of B2B buyers use their phone in the business purchasing process, but only 3% of the digital marketing budget is allocated to mobile digital marketing** (MarketingProfs). There is clearly a gap between how B2B companies get new leads and how their customers are making decisions. Many companies have been



slow to grasp the dominant role of mobile in reaching this new generation of B2B customers. When they do appreciate its clout, they have nonetheless been slow to react and allocate the investment needed to reach B2B buyers where they are spending a majority of their time.

Within digital marketing there are a number of core business goals that the typical B2B brand focuses on. These include lead generation, education, product and service positioning, market and competitor positioning, and events. All of these goals are crucial, but in many ways, lead generation is the most fundamental.

Statista estimates that \$2.2 billion will be spent on digital lead generation ads in the U.S. alone in 2017. To put this into context, it is similar to the digital ad spend projected for 2017 for the entire healthcare and pharmaceutical industry in the U.S. (eMarketer).

Alarminglly, only **13% of businesses describe their lead generation as very successful**

(Ascend2); whatever the majority of marketing teams do today to help their sales teams, it's not working. Additionally, the vast majority of respondents to a *Harvard Business Review* survey said they have little or no automation when it comes to qualifying leads (80%) or passing leads to sales (75%).



Advertisers who had CRM-powered advertising on Facebook had a 47% higher engagement rate than those with just standard targeting.

Even when leads are flowing in, brands report that only 5%–10% of qualified leads convert, according to IDG Enterprise. With CPA being the number one concern for those marketers from the same survey, it is low conversion rates like this that cause acquisition costs to be far higher.

In the 2016 “State of Marketing” report, Salesforce reported that 83% of high-performing marketers are using CRM to power their digital advertising. Then from the “Salesforce Advertising Index, Q1 2016,” **advertisers who had CRM-powered advertising on Facebook had a 47% higher engagement rate than those with just standard targeting.**

Multiple leading B2B brands use a combination of their customer data and Facebook to produce superior results for digital advertising initiatives with a lead-generation goal. For example, Apptus reduced its cost per lead (CPL) by 58%, Wordstream saw a 6x increase



in lead volume combined with an eight-point increase in lead quality, and even Salesforce's Pardot brand saw a 2.3x increase in reaching its desired audience with advanced customer matching, along with a 3.8x return on ad spend.



TurboTax used customer data alongside Google searches, resulting in:

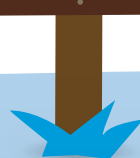
↓ 31%

decrease in cost per acquisition (CPA)

↑ 19%

increase in conversion rate

Source: Think With Google, "TurboTax Offers Loyal Customers a Tailored Experience With Customer Match," October 2016



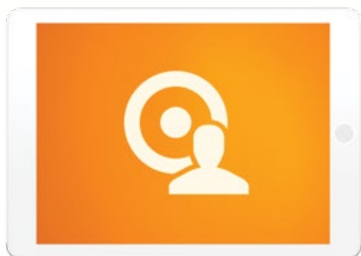
90% of business buyers use search for their business purchasers and do, on average, 12 searches prior to reaching a brand's own site.

The combination of customer data and digital advertising for business brands is not just limited to Facebook. TurboTax used customer data with Google Search and saw a 31% decrease in cost per acquisition (CPA), along with a 19% increase in conversion rate. A Google-Millward Brown study showed that **90% of business buyers use search for their business purchasers and do, on average, 12 searches prior to reaching a brand's own site.** This makes the use of customer data, along with a comprehensive SEM keyword strategy, crucial to success.

Ultimately, what we are seeing in the B2B digital advertising landscape is a lot of growth and innovation, combined with a disruption of traditional business flows due to the increased adoption of mobile. The age of B2B decision-makers is dropping, according to the same Google-Millward Brown study, which reported that 24% of final purchase decisions are being made outside the C-suite and that 81% of purchase decisions are being highly influenced by buyers outside the C-suite. It is more important than ever that your digital advertising strategy is both comprehensive and makes use of rich customer data.



Additional Resources



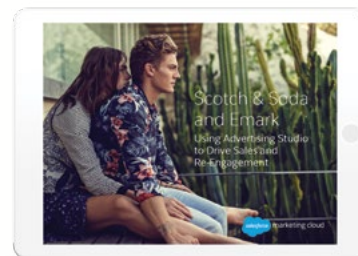
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