



The Digital Shopper's Search And How It's Evolving

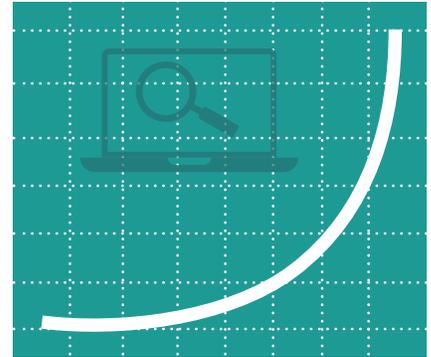
Study: The Past, Present And Future
Of Commerce Search Advertising



OVERVIEW

PART 1	Executive Summary	3
PART 2	Integrating Search Into The Shopping Journey	3-4
PART 3	The Digital Shopper Is Changing	4-5
PART 4	Opportunities For Brands	5-6
PART 5	The Future Of Commerce Search Advertising	6-7
PART 6	Conclusion	7

It didn't take long after the creation of today's internet to discover the need to search the content being produced. As users quickly discovered, content development and growth is not linear, it's exponential. And in the early days, consumers barely knew what existed, let alone how to find it. Ease of navigating the abundance of information found online to arrive at a meaningful destination was an urgent necessity in order to allow the internet to flourish, and several search engines quickly appeared to fulfill this need. And as commerce websites in Travel and Retail cropped up, on-site search and navigation became technology and design challenges for companies seeking to serve shoppers online.



Today, the colossal volume of internet content and great depth of content on individual sites has led savvy consumers to rely on powerful search tools and guided navigation. Consumer reliance on such tools for finding content and products is what makes search result placement critical for advertisers: search tools are the gatekeepers to product visibility. Hence the monetization of search.

This whitepaper dives in to current state of online consumer search behavior and commerce search advertising, and what the future is likely to bring. A unique look at the brand perspective is included, as well as the view of the consumer, who is at the center of all of this.

The first search engines were manually indexed. Today it seems quaintly amusing that anyone could have considered this a viable solution to cataloguing the information found on the internet, but in hindsight, much of the evolution of the internet has been trial and error.

Soon, however, more and more complex algorithms were created to handle the increasingly plentiful amount of information online. Around the year 2000, search engines were commonplace, and they were generally the best way to find what you were looking for online. Intelligent page ranking was key to this success.

Monetization of search results began even earlier, though. In the mid-nineties, listings were offered on a flat-fee basis on search results pages and then evolved to today's auction-based, pay-per-click model. Other search engines rapidly followed. Within five years, optimization improvements meant that ads were more selectively placed. Those that would generate the most revenue rose to the top of results, versus those that had placed the highest bid.

Now, advertisers across all industries realize that fundamental changes in how the consumer shops makes sponsored ads part of the discovery process, and a welcome one.

Many would also be surprised to know how long paid search has also existed on retail sites. HookLogic, one of the pioneers in this area, began in 2007 by offering sponsored listings on travel booking sites. Now, advertisers across all industries realize that fundamental changes in how the consumer shops make ads like this part of the discovery process, and a welcome one. Since today's digital shopper shops multiple websites each time she browses, these ads are part of the treasure hunt mentality to help her find the right product she actually wants to buy.

PART 3

The Digital Shopper Is Changing

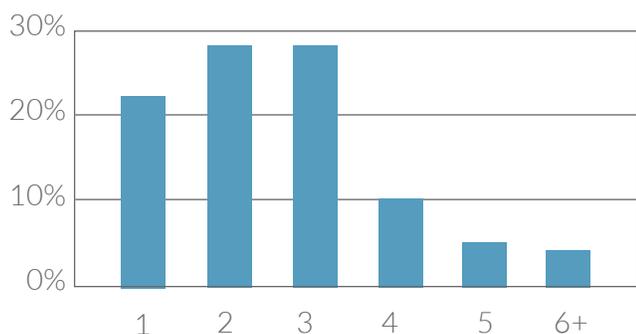
Fact 1: Search engines are for information seeking, not making transactions

Consumers are now much more aware of the total content available online and how to access it. Every brand has a website, a Twitter account, a Facebook page, and so on. Consumers know that to get reliable product information, they go to retail sites. In fact, two-thirds of buyers begin their product journey on retail sites, not search engines. The comScore 2013 U.S. Digital Future in Focus study found that vertical searches on specific sites were up 8%, while searches on traditional search engines were down 3%.

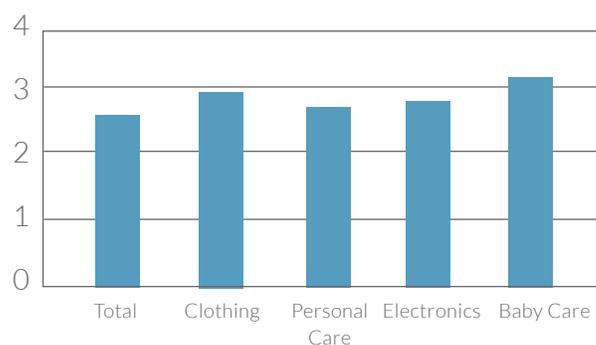
Fact 2: Consumers shop more than one website

Consumers love to browse online. In a study HookLogic conducted with MarketTree, shoppers reported that, on average, they visit 2.7 sites during a typical shopping trip. This number is remarkably consistent across categories, disputing both of the two camps of online searching conventional wisdom: that consumers either have a "one website" model for shopping online, or that they're looking all over to find what they're looking for and to get the best deal. The reality is somewhere in between, and consumers are now more empowered and use their browser as their custom store as they click around and back and forth rather than one website as the store.

Websites Visited During a Typical Shopping Trip

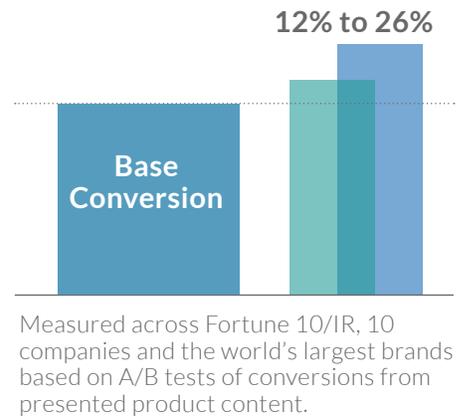


Websites Visited By Category



Fact 3: Consumers welcome guidance

The expansion of the content now available to consumers has had other implications on consumer browsing and purchasing. The sheer quantity of information has overwhelmed many consumers, and the “endless aisle” can leave them unwilling to spend extra time searching beyond their comfort zone of sites. Narrowing their field of search scope is not motivated solely by familiarity. Even within trusted sites, the experience can be daunting. The top retail sites sell tens of millions of items each.



Extensive navigation tools on retail sites have evolved to help consumers control their shopping journey more effectively, but consumers also fear missing “the perfect item.” In the joint survey “The Shopper Navigation & Discovery Study,” Compare Metrics and the e-tailing group found that consumers are wary of filters, believing that using them could eliminate what could have been the perfect product from their search results.

This is where paid retail search comes in. Consumers are able to choose their own discovery path on a retail website by using their own specific search terms and category browsing paths. Then, through a combination of top-performing, relevant results, they are able to navigate to their desired destination more quickly. A Fortune study found that placing manufacturer content onto the retailer product detail page (PDP) boosts conversions from 12% to 36%. A consumer that makes a purchase is easily considered a satisfied shopper.

PART 4

Opportunities For Brands

Different advertising vehicles and channels play different roles in a holistic media mix. Depending on the search advertising solution, marketers can target consumers at different points in their path to purchase. Advertising with traditional search engines, for example, is a solution best used when consumers are broadly searching information, and it can contribute to brand awareness. The path from this point can lead to one’s brand site or a range of retailer sites as consumers are on their research journey.

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at the “bottom of the funnel.” The path from this point can lead most directly to one’s product description pages where a browser can consider your product and learn everything they need to know to be converted to buy with just one click to “add to cart.”



Active Category Shoppers

Given the changes in consumer searching behavior, it’s wise for brands and advertisers to rethink how search fits into your media budget, allocating more where it can make the most difference in measureable results for your category and your product. Covario, a leading search, social, and content marketing agency, found that advertisers spent 25% more on paid search advertising in Q1 of 2014 than the previous year and 7% more than in Q4 2013 – typically the heaviest season. That trend will only continue as more and more advertisers shift funds from traditional offline advertising to more accountable and transparent performance marketing online.

PART 5

The Future of Commerce Search Advertising



Increased integration into retail

The days of distracting product ads that take you through a series of clicks off to other ‘less than trustworthy’ sites are over. Expect ads that click-in to product description pages, like HookLogic’s Retail Search Exchange, will become more popular, while ads that click-off to other sites will diminish, as retailers strive to keep their shoppers within their store. This also benefits consumers, enabling them to make quicker, more successful purchases with less frustration.



Measuring omnichannel activity

Today, leading companies can measure across devices, so if consumers browse on one device but buy on another, that sale can be tracked and attributed back. The ability to measure online to offline sales attribution is building every day as well. Technology and data linkages will soon catch up to consumer behavior, allowing for better tracking no matter where the purchase is made – in a retail store, on a tablet, on a phone, anywhere.

PART 6

Conclusion

While sponsored retail search listings have been around for a while, their omnipresence is now rapidly growing. This is not yet a mature industry, and many changes are likely to occur over the next few years. Because change is driven by all three players involved – consumers, advertisers, and retailers – the dynamics of this change are even more compelling and intriguing. Keep watching this space for big developments as the companies that follow the shopper and center solutions that best meet the needs of the shopper will continue to grow.

About HookLogic

HookLogic, the global leader in commerce search advertising, partners with the world's leading retailers, online travel agencies, and automotive companies to provide marketers unprecedented access to active category shoppers and a clear view into resulting sales attribution. The company's high-performance vertical marketing programs accelerate sales for product brands, marketplace sellers, hoteliers, and automotive marketers. Network partners and advertisers including Walmart, Target, Asda, Intel, L'Oreal, Expedia, Priceline, General Motors, and Chrysler use HookLogic to increase sales and monetize site traffic. Backed by Bain Capital Ventures and Intel Capital, HookLogic is headquartered in New York City, with offices in Ann Arbor, Atlanta, and London, UK.

For more information, please visit www.hooklogic.com or call (646) 467-8200.