

AdWords Industry Benchmark Report

2017

Executive Summary

Is it important for B2B marketers to keep up with the Joneses? This idiom refers to the comparison of our neighbors' accumulation of material goods as a benchmark for social class. We believe it is important to keep up, but we're referring to different set of benchmarks. When B2B marketers can compare benchmarks with their industry peers they get a better understanding of performance measurement and goal setting. After all, are you performing well at 125% ROI when the industry average is 300% ROI? How do marketers create goals without knowing what's achievable?

B2B marketers gain valuable insights with a clear understanding of industry performance benchmarks for paid media channels like AdWords. The 2017 AdWords Industry Benchmark Report, by Bizible and DWA, helps B2B marketers gain a perspective on this in the following ways:

- Understand what to expect in terms of cost per lead, cost per opportunity, revenue, and ROI
- Understand how much room there is to optimize the above-mentioned metrics

This year we've made some interesting findings and are excited to share them with you. We hope that you'll find this useful in thinking about your performance in AdWords in terms of important down-funnel metrics like opportunities, revenue, and ROI.

Key Figures

- AdWords' Contribution to Leads, Opps, and Revenue (Industry— % leads, % opps, % revenue): Agency — 36%, 41%, 36%; Business Services — 43%, 47%, 41%; Education — 58%, 68%, 75%; Financial Services — 44%, 48%, 56%; Hardware / Manufacturing — 50%, 50%, 56%; Software / Saas — 32%, 38%, 39%; Telecommunications — 44%, 38%, 43%
- AdWords Revenue per Lead: Agency — \$502; Business Services — \$377; Education — \$166; Financial Services — \$115; Hardware / Manufacturing — \$389; Software / Saas — \$305; Telecommunications — \$213

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Purpose

AdWords has long been a critical channel for B2B marketers. When developing a marketing team's channel mix, it's a given that AdWords will be an integral part. It's a proven lead generator, but just how much does AdWords contribute to down-funnel metrics like revenue?

Too often, B2B marketers don't have a full understanding of what happens after the lead is created, or what to expect in terms of ROI when investing in paid media. In this report, we will examine industry benchmarks, including what percentage of leads, opportunities, and revenue is driven by AdWords, and AdWords ROI.

The industries we cover in this report include agencies, business services, education, financial services, hardware / manufacturing, software / SaaS, and telecommunications.

The data comes from approximately 200 companies.

Methodology

Gathering monthly performance metrics from about 200 companies across seven industries, we obtained the following information based on marketing and sales data from October 2016 to May 2017:

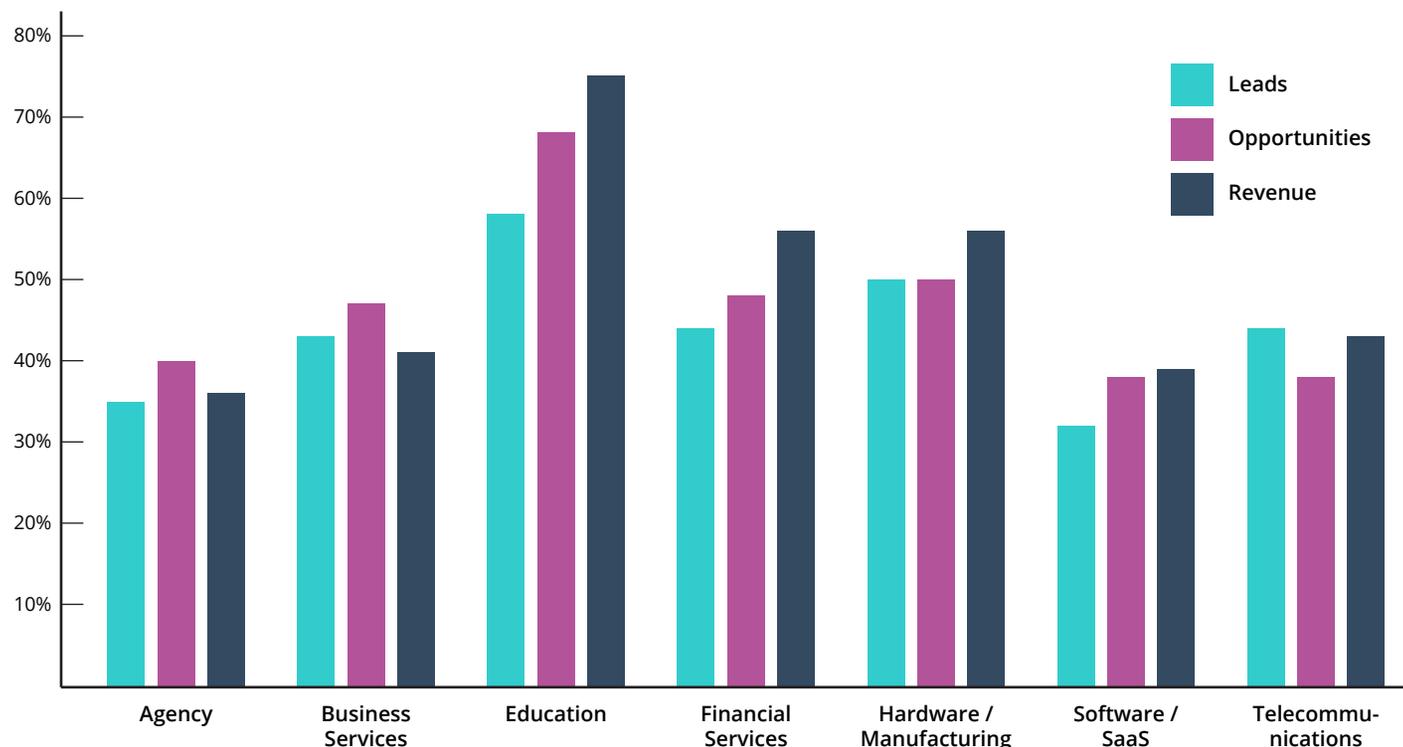
- Monthly lead count — all marketing channels
- Monthly lead count attributed to AdWords
- Monthly sales opportunity count — all marketing channels
- Monthly sales opportunity count attributed to AdWords
- Monthly revenue — all marketing channels
- Monthly revenue attributed to AdWords
- Monthly AdWords spend

All of the benchmarks that you will find in this report are calculated with these values. In this report you'll find the following benchmarks:

- AdWords Contribution To Business (percent of leads, opportunities, and revenue attributed to AdWords)
- Industry Average Revenue Per Lead, AdWords vs. All Channels
- Industry Average Cost Per Lead Generated From AdWords
- Industry Average Cost Per Opportunity Generated From AdWords
- Industry Average AdWords ROI, Current and Projected

We will also cover year-over-year changes to the benchmarks.

Contribution to Leads, Opps, and Revenue



LOOKING FOR AN UPWARD SLOPE

When the percentages (leads, opps, and revenue) are placed next to each other on a bar graph, we can see how AdWords impacts progressive stages of the marketing pipeline for each industry by the shape of the each graph. If the bar graph moves upwards from left to right, it means that AdWords brings in leads that ultimately generate revenue at a proportionately high rate. This means that AdWords is bringing in high quality prospects relative to other channels.

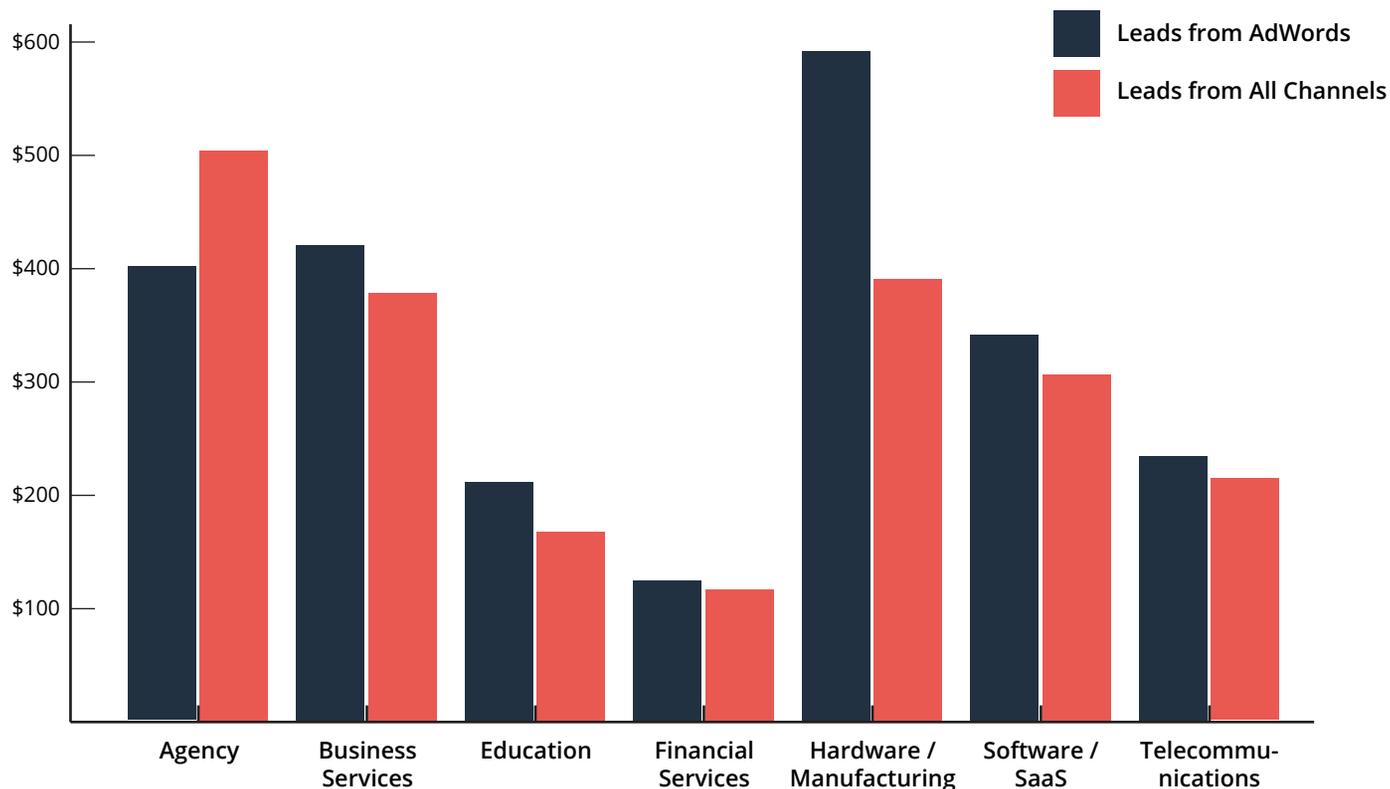
If the graph trends downward, it means that AdWords tends to generate leads that convert to customers and revenue at a lower rate than other channels.

On high volume contributions from AdWords:

For some of our clients, we have found that AdWords Search campaigns, especially exact match keywords, generate a higher volume of leads and opportunities than other channels such as social. This makes sense, considering that with paid search ads, we are targeting users who are actively looking for the products or services we are offering.

— Lucia Rodas-Estrada
SEM Team Manager, DWA

Revenue per Lead



Scenarios that lead to high a Revenue per Lead ratio:

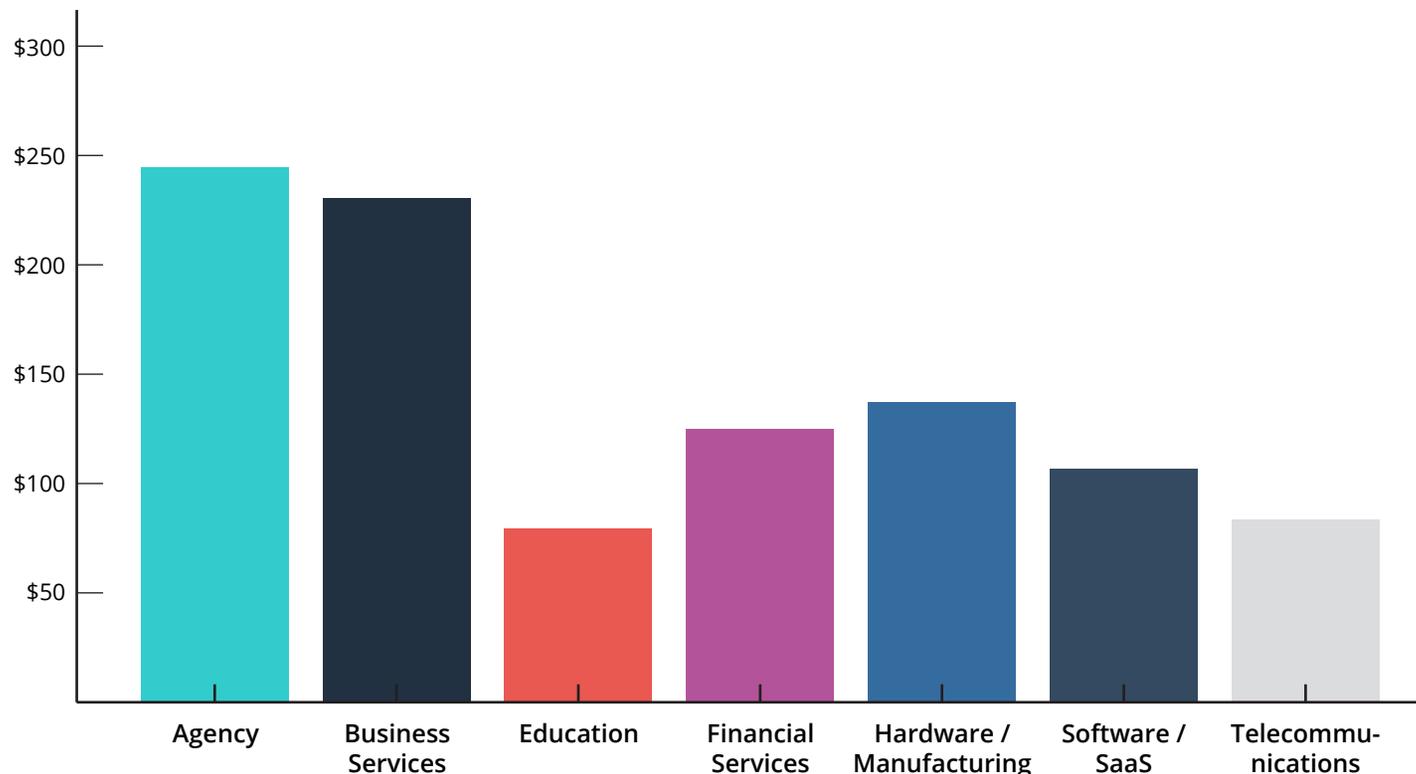
	Lead Volume	Cost per Lead	Conversion Rate	Deal Sizes
Scenario 1	High	Low/Average	High	Average/High
Scenario 2	Low/Average	Average/High	Average/High	High
Scenario 3	Low	Average/High	Low	Extremely/High

WHAT CONTRIBUTES TO REVENUE PER LEAD?

In general, there are four factors that impact this ratio: 1) lead volume, 2) cost per lead, 3) lead to customer conversion rate, and 4) customer value.

Looking at the table, the first scenario is great—your marketing is efficiently attracting leads and converting them to customers. The second scenario is ok—your marketing may be leaking prospects through the funnel, but the prospects that you are converting are your most valuable customers. The final scenario may be misleading and is not great for long-term growth—you may have a high cost per lead, attracting many low quality leads, but you happened to catch a couple whales. For now, the numbers look good, but they may not be sustainable.

Cost Per Lead



On lowering CPL:

“All of our clients have target CPLs for search campaigns. B2B marketers should be constantly optimizing keywords, ad copy, and even landing pages to decrease CPL month-over-month.”

— Lucia Rodas-Estrada
SEM Team Manager, DWA

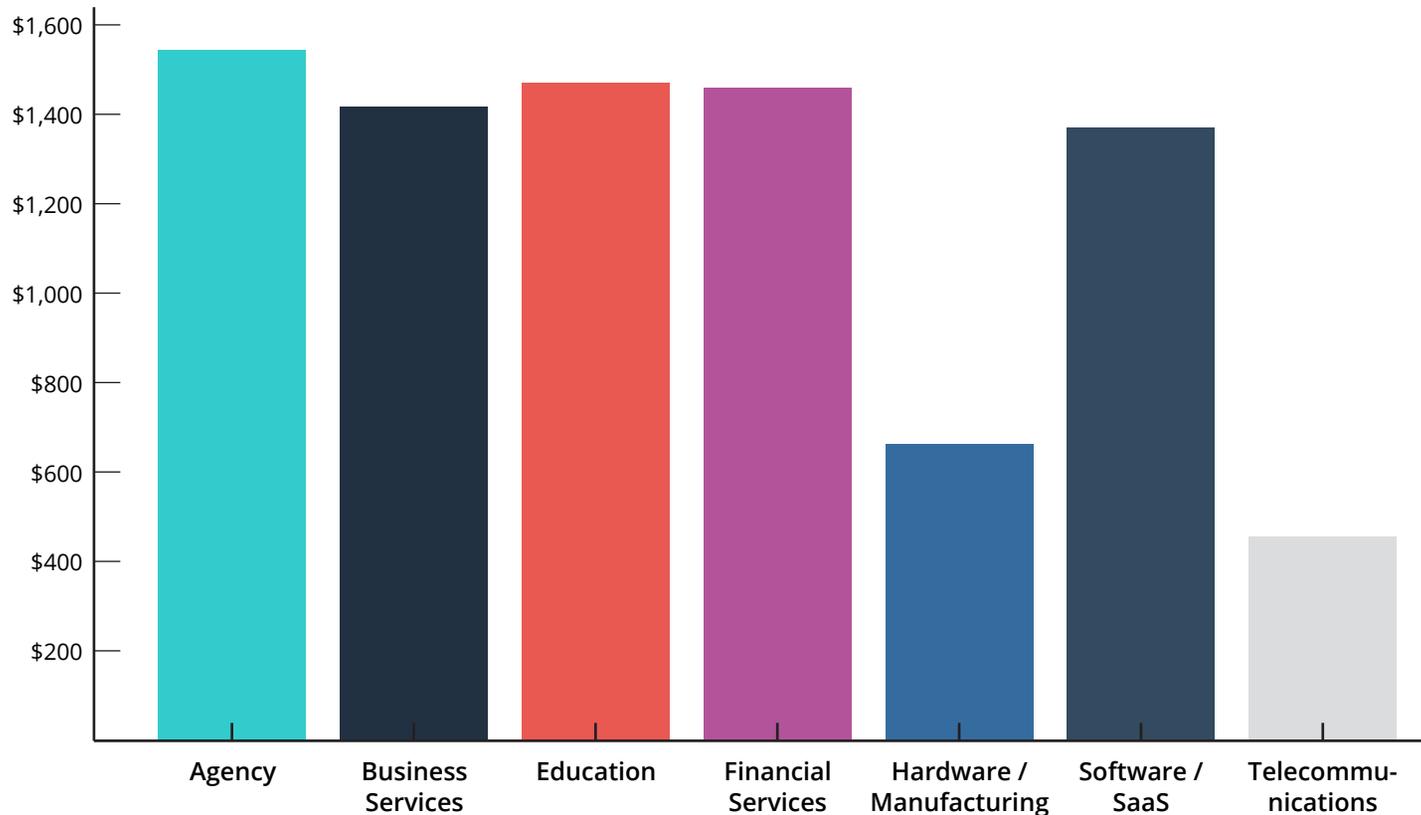
DOES IT PASS THE SMELL TEST?

Cost per lead is one of the most common paid media / demand marketing metrics.

Typically, marketing organizations use a CPL ceiling to evaluate media opportunities. As a top-of-the-funnel metric, it's useful for quick optimization and making sure campaign performance passes the smell test before waiting for a full sales cycle or two to prove out revenue performance.

The target CPL is extremely dependent on industry—large deal sizes, high conversion rates at the bottom of the funnel, and more could make a high CPL acceptable.

Cost Per Opportunity



On reviewing opportunity data:

Every quarter, marketers should review opportunities and cost per opportunity, in order to prioritize the keywords that are driving the opportunities and decrease the cost per opportunity.

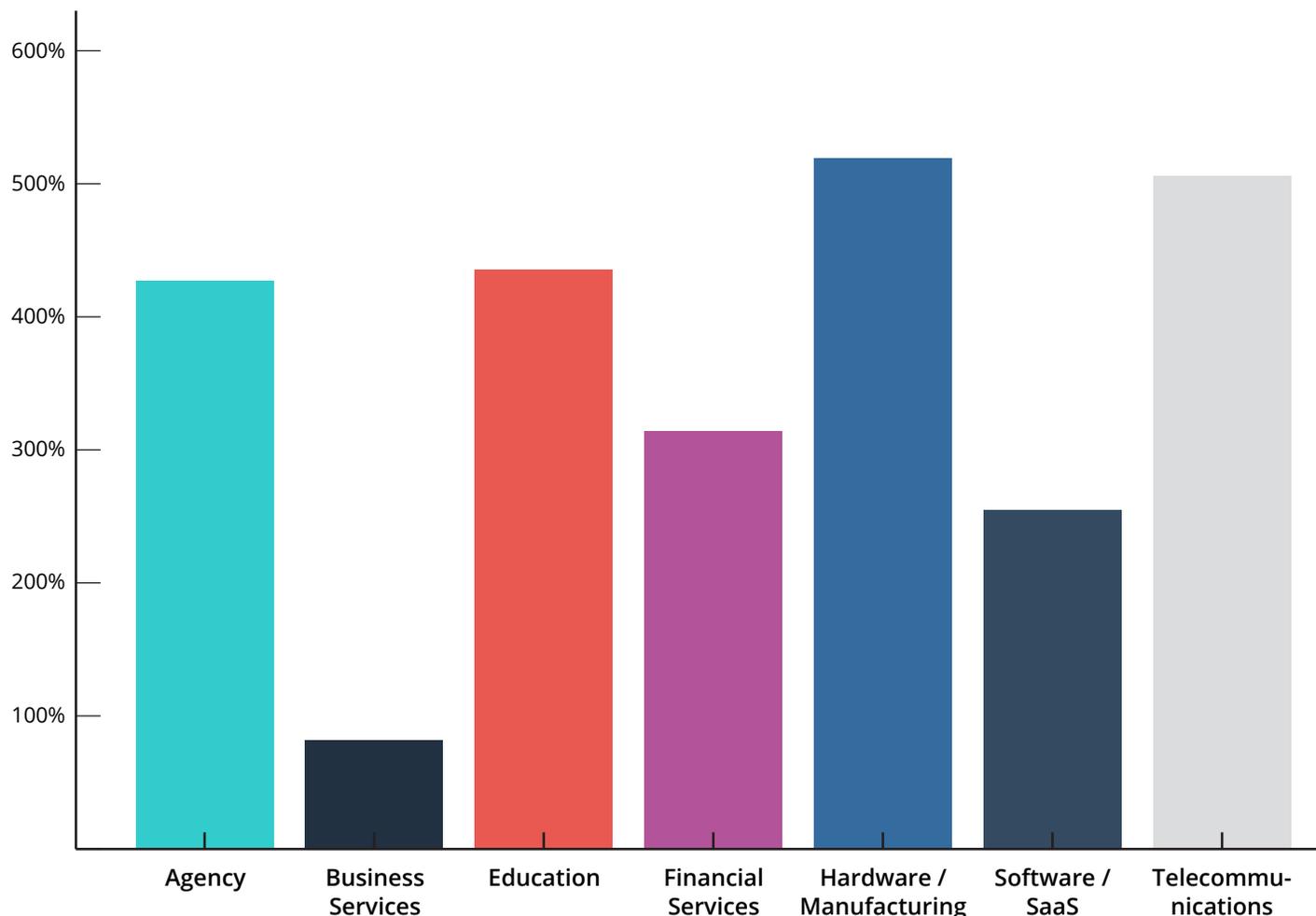
— Lucia Rodas-Estrada
SEM Team Manager, DWA

BEGINNING TO ALIGN MARKETING AND SALES

For marketing teams that see the sales opportunity stage as the end of their funnel, the cost per opportunity benchmark helps demonstrate the marketing efficiency of AdWords.

Cost per opportunity also takes a step in aligning marketing and sales teams. A strong cost per opportunity metric means that the marketing team is effectively attracting the right prospects, as defined by the sales team (the opportunity stage).

AdWords ROI



*This is a weighted ROI, calculated by taking the average of each company's ROI within each industry

WHAT'S THE RETURN?

ROI is arguably the most important benchmark for measuring the effectiveness of AdWords. For every dollar that you put in, how much do you get in return?

Across all industries measured, AdWords has a positive ROI, meaning companies are making more than they put in. And for the majority of industries, it looks like AdWords has an extremely positive ROI.

Of course, the ROI of AdWords only has meaning when compared to the ROI of other channels. An ROI of 78% for the Business Services industry may not look impressive, but if other channels are delivering less ROI, it may indicate that AdWords is a worthy channel.

On the other hand, an ROI north of 500% for the Hardware / Manufacturing industry may seem good by itself, but if other channels are delivering even greater ROI, it may not warrant an increase in investment.

Year-Over-Year Trends

	% AdWords Contributes to Leads				% AdWords Contributes to Revenue			
	2015	2016	2017	YOY Change	2015	2016	2017	YOY Change
Agency	34%	22%	36%	+2.8%	9%	8%	36%	+155.9%
Business Services	24%	24%	43%	+37.9%	20%	18%	41%	+52.9%
Hardware / Manufacturing	21%	17%	50%	+66.3%	24%	24%	56%	+65.9%
Financial Services	44%	34%	44%	+0.4%	42%	35%	56%	+17.4%
Software / SaaS	20%	16%	32%	+29.0%	11%	11%	39%	+130.1%

On the positive trends:

Marketers are focusing more on down-funnel metrics like ROI, and I suspect this is leading to more efficiency with AdWords. I'm not surprised to see here that contribution to leads and to revenue are both up across the board. It's exciting to see that the increase in contribution to revenue for most industries exceeds the gains in lead volume contribution—this indicates that we are all getting better at generating quality traffic from AdWords instead of focusing on volume.

— Eva Sharf
Demand Manager, Bizible

POSITIVE CHANGE

Across industries and across the funnel, companies are seeing an increase in AdWords' impact.

Even better, they're seeing greater change at the bottom of the funnel, which implies that the quality and the value of the prospects that AdWords is driving is improving.

As down-funnel measurement technology has advanced and caught up with marketers' desire to impact revenue, marketers are now able to granularly measure their impact. This enables them to optimize their AdWords efforts for revenue and have a greater impact.

Industry Breakdown

Agencies

Business Services

Education

Financial Services

Hardware / Manufacturing

Software / SaaS

Telecommunications

Agencies

Key Figures

AdWords' Contribution to:	
Total Leads:	36%
Total Opps:	41%
Total Revenue:	36%
Revenue Per Lead: <i>(All Channels)</i>	\$400 <i>(\$502)</i>
Cost Per Lead:	\$243
Cost Per Opp:	\$1543

AdWords ROI:
427%

Agencies included in this report saw a huge increase in AdWords' impact on revenue. In past years, AdWords' contribution to revenue never reached the double digit mark. This year, however, it soared to 36%.

Depending on the size of the agency, bringing in one or two big deals can make a big difference for a channel's performance metrics. This year, AdWords proved to be a solid channel for agencies.

*This is a weighted ROI, calculated by taking the average of each company's ROI within the Agencies industry.

Business Services

Key Figures

AdWords' Contribution to:	
Total Leads:	43%
Total Opps:	47%
Total Revenue:	41%
Revenue Per Lead: <i>(All Channels)</i>	\$419 <i>(\$377)</i>
Cost Per Lead:	\$229
Cost Per Opp:	\$1416

AdWords ROI:
78%

Business services is one of only two industries in this study which had a decrease in impact as you move down the funnel from leads to revenue. This suggests slightly lower quality prospects are being generated by AdWords compared to other channels.

Additionally, the ROI from AdWords, while still positive, was the lowest of all industries. This could mean that potentially AdWords isn't a great channel for business services, but marketing ROI across all channels could be lower for this industry.

Business services companies should do a deep analysis of their AdWords performance to understand whether their efforts can be optimized or if their budgets could be better spent elsewhere.

*This is a weighted ROI, calculated by taking the average of each company's ROI within the Business Services industry.

Education

Key Figures

AdWords' Contribution to:	
Total Leads:	58%
Total Opps:	68%
Total Revenue:	75%
Revenue Per Lead: <i>(All Channels)</i>	\$210 <i>(\$166)</i>
Cost Per Lead:	\$79
Cost Per Opp:	\$1470

AdWords ROI:
435%

Contributing to the majority of leads, opps, and revenue, AdWords is an extremely important channel for the education industry.

Not only is it contributing to a lot to the pipeline, AdWords' impact increases the farther you move down the funnel. According to this data, AdWords drives a high volume of high quality prospects.

*This is a weighted ROI, calculated by taking the average of each company's ROI within the Education industry.

Financial Services

Key Figures

AdWords' Contribution to:	
Total Leads:	44%
Total Opps:	48%
Total Revenue:	56%
Revenue Per Lead: <i>(All Channels)</i>	\$123 <i>(\$115)</i>
Cost Per Lead:	\$124
Cost Per Opp:	\$1459

AdWords ROI:
314%

When looking at AdWords' contribution to key metrics throughout the funnel, a high quality channel would show an increase as you move down the funnel.

This is exactly what we see here for the Financial Services industry. Leads from AdWords are having an outsized impact on revenue— AdWords' 44% of leads generated turns into 56% of revenue.

*This is a weighted ROI, calculated by taking the average of each company's ROI within the Financial Services industry.

Hardware / Manufacturing

Key Figures

AdWords' Contribution to:	
Total Leads:	50%
Total Opps:	50%
Total Revenue:	56%
Revenue Per Lead: <i>(All Channels)</i>	\$590 <i>(\$389)</i>
Cost Per Lead:	\$136
Cost Per Opp:	\$663

AdWords ROI:
519%

In the hardware and manufacturing industry, AdWords has shown to drive huge ROI (519%).

Looking at year-over-year data, this industry is one where AdWords' impact had very positive growth, meaning companies in this industry are continuing to find more ways to invest in this channel and reap the rewards.

*This is a weighted ROI, calculated by taking the average of each company's ROI within the Hardware / Manufacturing industry.

Software / SaaS

Key Figures

AdWords' Contribution to:	
Total Leads:	32%
Total Opps:	38%
Total Revenue:	39%
Revenue Per Lead: <i>(All Channels)</i>	\$340 <i>(\$305)</i>
Cost Per Lead:	\$106
Cost Per Opp:	\$1369

AdWords ROI:
255%

Compared to past years, AdWords' contribution to revenue saw significant growth. In prior years, we were seeing that while AdWords had solid contribution to top of the funnel metrics, it had less of the impact down the funnel. This year, however, the trend turned.

Software and SaaS marketers rediscovered ways to use AdWords at the bottom of the funnel and were able to see significant contributions to revenue.

*This is a weighted ROI, calculated by taking the average of each company's ROI within the Software / SaaS industry.

Telecommunications

Key Figures

AdWords' Contribution to:	
Total Leads:	44%
Total Opps:	38%
Total Revenue:	43%
Revenue Per Lead: <i>(All Channels)</i>	\$233 <i>(\$213)</i>
Cost Per Lead:	\$83
Cost Per Opp:	\$456

AdWords ROI:
506%

AdWords appears to be a strong contributor across the board for telecommunications companies. Its contribution to key metrics is relatively flat across the funnel and its revenue per lead number is just slightly greater than for all channels.

With an ROI north of 500%, AdWords appears to be a no-brainer for marketers in this industry to invest in.

ABOUT BIZIBLE

Bizible is a B2B revenue planning and attribution solution dedicated to helping companies make profitable marketing decisions.

Bizible's technology connects all marketing activity (both online and offline) to revenue, accurately distributing credit to the marketing channels that are making an impact. This advanced multi-touch attribution and revenue planning technology enables marketers to measure and plan marketing's contribution to revenue, and impact the future with goal-oriented, high-fidelity forecasting.

For more about Bizible, visit www.bizible.com.



ABOUT DWA

DWA is a global media and marketing agency for technology companies. With its feet in media and its head in data and analytics, DWA has a fascination with the art and science of engaging people. That's why you'll find us at the intersection of media, technology and strategic marketing. Operating from nine offices around the world covering North America, EMEA and Asia Pacific, DWA offers a range of services such as programmatic media, marketing automation, account-based marketing and content marketing consulting – all for hundreds of the world's best technology companies.

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