

LinkedIn Corp.

Steady Adoption Fuels Q2 Growth

Advertisers' yy spending growth on LinkedIn moderated slightly in 2Q15 as advertisers continued to explore the LinkedIn-Bizo merged platform, but early adopters reported an increase in prices and performance.

- 2Q15 LNKD-Bizo combined ad spending growth up 31%–36% yy; 3Q15 spending also expected up 31%–36% yy
- Effective CPMs \$15–\$20 (higher qq for 5 of 8 repeat sources, flat for 3); 2%–5% increase expected in 3Q15 qq
- Areas to Watch: Advertisers await valuable user data from Lynda.com acquisition; broader availability of LNKD-Bizo merged platform, introduction of new products expected during 3Q15 could accelerate spending growth

KEY DATA

QQ Changes to LinkedIn CPMs

(number of repeat sources)

	1Q15	2Q15
Increase	4	5
Flat	3	3
Decrease	2	-
Not applicable	1	4

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LinkedIn’s ROI is continuing to improve, and the merged platform scales a lot better. We know we’re hitting LinkedIn active users with high funnel units — like Sponsored Updates and InMail — which are having a much better impact from a lead-generation perspective.”

B2B advertising agency source

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SOURCES & BACKGROUND

12 U.S. online media buyers, search directors and social media analytics/technology platform directors at advertising agencies with a B2B client base

REPEAT SOURCES 8 sources from OTR Global’s June 22 note and April 15 report

INTERVIEWS June 11 through July 17

AVERAGES Straight

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Steady Adoption Drives Q2 Growth

Advertisers' 2Q15 spending on **LinkedIn Corp.**'s and the LinkedIn-owned Bizo B2B advertising network increased an average 31%–36% yy, helped by advertisers testing options on the LinkedIn-Bizo merged advertising platform. (Although this growth rate represents a deterioration compared with 40%–45% in 1Q15, repeat sources' yy growth rate slowed only slightly to up 34%–39% on average compared with 37%–42% in 1Q15.) Sources attributed 2Q15 growth to the steady and continued adoption of LinkedIn's Sponsored Update newsfeed advertisements, LinkedIn's new Lead Accelerator and Network Display products, the continuing popularity of Pulse and SlideShare, and improved targeting and analytics. "The merged platform has added a lot more value to LinkedIn for the B2B advertiser. More of our clients have added LinkedIn to their campaigns because it's so much easier to reach the desired audience, and the ROI is very strong," one said. Sources said their clients were migrating more toward the merged platform in 2Q15 qq because the combination of the LinkedIn user data and Bizo technology has resulted in highly effective campaigns that are more scalable. "The merging of the Bizo platform with LinkedIn's first-party data is proving to be a powerful tool. LinkedIn's ROI is continuing to improve, and the merged platform scales a lot better. We know we're hitting LinkedIn active users with high funnel units — like Sponsored Updates and InMail — which are having a much better impact from a lead-generation perspective," one said.

Steady Q3 Growth Expectations

Sources expect yy spending momentum to remain strong during 3Q15 and anticipate 31%–36% growth on average, supported by broader availability and the use of the merged platform. Sources expect continued spending on Sponsored Content advertising units, as well as the Lead Accelerator retargeting option on the merged platform. Both units are expected to continue to spur growth as the platform develops. Additionally, sources expect LinkedIn to introduce new advertising products in 3Q15 and broaden advertiser opportunities by dropping the minimum spending requirement. "We've heard that LinkedIn will make new products available in Q3 that are friendly to marketers, such as LinkedIn Elevate, Extended Reach and LinkedIn Publisher," one said. "I've also heard LinkedIn is going to drop the minimum spend from \$25,000 down to \$15,000." Another said, "Our budgets are still growing at a really strong pace. We're tolerating the higher prices, and that's driving our spending more than anything else. Even if we get fewer impressions, the campaigns are more efficient than ever before."

Steady Increase in Pricing

LinkedIn's effective eCPMs averaged \$15–\$20 overall. Five of eight repeat sources cited higher CPMs compared with 1Q15, and three reported no change. Sources said more competition for sponsored update advertisements boosted average prices through the bidding process and new options and successes on the merged platform attract higher bids from returning advertisers. "Prices for us are up more for the newsfeed ads than anything else, but all ads are up solidly, partly due to Bizo. We've aggressively increased our budgets and bid targets with the new data because we're confident we can get the ROI to justify it. And so far, that's exactly what we've seen," a B2B agency source said.

Sources expect 3Q15 eCPMs to increase 2%–5% on average qq as more advertisers take advantage of the merged platform and compete for placement and increased reach. "We will see a 9% increase in the Lead Accelerator ad units starting in July. This is not surprising, and we expect to see other ad units increase over time as well, based on the increasingly better results and the increased reach associated with the merged platform," one said. Another said, "LinkedIn is reaching critical mass in advertisers on the newsfeed, which should keep pricing competition heading up for a while."

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Minimal Competition for LinkedIn

As the LinkedIn-Bizo merged platform attracts more spending and new advertisers, LinkedIn's competition is falling further behind. Sources said the scale and targeting technology that Bizo has added to LinkedIn is far beyond offers elsewhere, and LinkedIn is increasingly the platform for professionals to voice and exchange views and experiences. Although some sources said **Twitter Inc.** and **Facebook Inc.** pose some competition because of the size of their audiences, the technical and business newsletters utilized by specialty B2B advertisers are most affected by LinkedIn's success and are the most effective when used in conjunction with LinkedIn. "In addition to LinkedIn, we use technical newsletters and find they work the best for what we want to achieve," one said. Another said, "Right now, I don't think LinkedIn has any competition. LinkedIn is a unique place that offers a lot of things that even B2B publishers don't. It's taking dollars from general B2B budgets, and I think the publishers are hurting the most." Sources expect the specialty industry newsletters and premium publishing sites to remain on the fringe and pose little competition to LinkedIn.

Lynda.com Adds Potential

Sources are enthusiastic about the potential of LinkedIn's recent acquisition of online education company Lynda.com. They said the added user data, increased user base, added content and increased engagement should add more value to a platform already held in high regard among B2B marketers. Although sources said there will likely be more opportunity for advertising placement, it is really about more validation and richer audience data that makes the acquisition so valuable to the B2B marketer. "More data on the user will only strengthen LinkedIn's targeting capability, which is pretty stellar at this point. For a full-service B2B platform, you really can't get better targeting than this," one said. Although the two companies now are functioning separately, sources suspect they will eventually integrate their subscription models and have a more seamless transition between the two platforms, which could add a new dimension for the B2B marketer. As an initial promotion, LinkedIn offered a 30-day free trial of the Lynda.com video education library to its premium members, a 21-day free trial for all non-paying LinkedIn members, and a 10-day free trial for all non-LinkedIn members.

New Products on the Horizon

In addition to the recently introduced LinkedIn Publisher analytics, sources said LinkedIn is planning a 3Q15 release of the LinkedIn Elevate app. The app helps marketing professionals maintain their social media activity even when they have nothing of their own to share by posting suggested content similar to previous posts and analytics to track how well the app posts perform. It is geared to help professionals stay active in their field, which is an untapped area for LinkedIn. "LinkedIn Elevate seems like a pretty cool program and falls under the content marketing segment; there's nothing like it on the market," a source said. Another said LinkedIn is working on adding more third-party data and the ability to buy advertisements programmatically. "I think we'll see more focus on off-site behavioral retargeting later in the year, which could help us spend more aggressively with them," the source said.

Contributors: Adrienne Bard, Barb Ebert and Michael Foster

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ON GROWTH

"We have limited B2B clients, but LinkedIn is a good platform for that segment, and I think we'll continue to see growth going forward."

"We're seeing solid growth in the 40%–50% range for Q2 and Q3. We may see this increase in Q4 as we gear up for the big Q1 push."

"I think spending will grow a little more next quarter because prices are going up, and we're getting less volume than we used to. But performance is improving, so that demands more budget."

"The biggest change I'm seeing is time spent on site. We're getting a lot more impressions and a lot more high-quality clicks on ads, thanks to more people spending more time on the site. LinkedIn has invested heavily in getting content on board that appeals to professionals, and that investment is paying off."

ON SPONSORED CONTENT

"We just started with Sponsored Updates, but it's the network display ads [that are] currently driving our spending."

ON PRICING

"Pricing is moving up as bid density and demand rise on the native ads."

"Pricing increased compared to last quarter. The external stuff is staying relevant, and we like how the merged platform is performing. The ROI is better, and we're seeing more competition."

"Pricing has gone up slightly because we're venturing into the merged platform and doing some highly targeted trial campaigns."

"We could see more demand later in the year with their efforts around Bizo and more targeting options, but it could take longer than three months for real buy-in to push up prices."

"I think we'll see prices increase slightly as more advertisers compete, but we won't see a big jump in pricing until Q1."

ON THE MERGED LINKEDIN-BIZO PLATFORM

"We have begun testing the merged platform, and it is very exciting. We can now target using LinkedIn and Bizo data in a combined network, and the performance has shot up a lot."

"LinkedIn is developing a very powerful data set around its users and their interests."

"We've started using the merged platform a little bit to increase our scale. The targeting is better, the reach is better, and we're finding a good audience. As a result, we're getting better ROI."

"You're now able to target on LinkedIn using off-site data. That's a really big deal, and I don't think it's available for all inventory yet. But it's something we are looking at getting involved with more aggressively."

ON LYNDA.COM

"I think they'll use [Lynda.com] to put more content in the newsfeed for people on LinkedIn and to drive engagement higher."

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1. Did your 2Q15 advertising budget for LinkedIn increase, decrease or remain the same yy? Do you expect your 3Q15 advertising budget for LinkedIn to increase, decrease or remain the same yy?

	2Q15	3Q15
Up more than 100%:	1*	1*
Up 51%–60%:	1	1
Up 41%–50%:	3	3
Up 31%–40%:	-	1
Up 26%–30%:	1	-
Up 16%–20%:	3	3
Up 11%–15%:	-	1
Up 6%–10%:	1	-
Up:	2	2
Average:	Up 31%–36%	Up 31%–36%
1Q15 average:	Up 40%–45%	

* Outlier excluded from averages

2. How is your LinkedIn advertising ROI compared to three months ago?

Better:	8
Same/on par:	3
Too early to tell:	1

3a. What is the average effective eCPM you are paying for LinkedIn ads?

\$36–\$40:	1
\$26–\$30:	1
\$21–\$25:	1
\$16–\$20:	1
\$11–\$15:	4
\$6–\$10:	3
No response:	1
Average:	\$15–\$20*
1Q15 average:	\$15–\$20

* Among 8 repeat sources, 5 reported an increase vs. 1Q15, 3 reported no change

3b. Do you expect your average LinkedIn ad eCPMs to increase, decrease or remain the same during the next three months?

Up 11%–15%:	1
Up 6%–10%:	1
Up 1%–5%:	4
Flat:	4
Down:	1
Don't know:	1
Average:	Up 2%–5%
1Q15 average:	Up 5%–8%

4. Did your spending on Sponsored Content ad units increase, decrease or remain the same during 2Q15 compared with 1Q15?

Increased:	8
Remained the same:	3
Not applicable:	1

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5. What percent of your (combined) LinkedIn/Bizo spending is only on the LinkedIn platform, only on the Bizo platform and on the merged LinkedIn/Bizo platform?

	LINKEDIN	BIZO	MERGED
91%–100%:	3	-	-
81%–90%:	1	-	-
71%–80%:	3	-	-
51%–60%:	1	-	-
31%–40%:	2	-	2
21%–30%:	-	1	1
11%–20%:	-	4	-
1%–10%:	-	-	3
0%:	-	5	4
Don't know:	1	1	1
No response:	1	1	1
Average:	74%–79%	8%–13%	11%–16%
1Q15 average:	71%–76%	9%–14%	14%–19%

6. When do you think LinkedIn's merged platform will begin to generate significant new spending growth for LinkedIn?

2Q15:	3
3Q15:	2
4Q15:	3
Don't know:	2
No response:	2

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