THE COMPETITION AND MARKETS AUTHORITY

ONLINE COMPETITION AND ONLINE SEARCH

Findings from qualitative research

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1.   EXECUTIVE SUMMARY

1.1   The Competition and Markets Authority (the CMA) commissioned qualitative research to deepen its understanding of the strategies companies use to compete online. The overall aim of the survey was to gather businesses' views on certain aspects of online competition, in order to help the CMA improve its ability to carry out its statutory functions in a world of many online businesses.

1.2   The research design comprised 60 individual depth interviews with a sample of online businesses retailing goods and/or services to customers in the UK. A range of turnover from less than £500k to over £50 million was achieved, as well as businesses selling a mix of homogenous and differentiated goods; durable and non-durable goods; and simple and complex services. Businesses from a range of different sectors were included in the sample, as well as a range of different ages, and a range of length of time operating online, including some who had been active online for less than 3 years.

1.3   Qualitative samples are purposive and quota-driven in nature and therefore do not have any quantitative accuracy in terms of identifying proportions of populations holding stated views. These findings aim to create a better understanding of a range of experiences of competing online.

1.4   Which factors other than price do online businesses consider important to acquire new customers and retain existing ones in their sectors?

1.4.1   The factors which respondents across the sample (selling goods and services and of different ages, sizes and from different sectors) felt were most important in terms of acquiring new customers and retaining existing customers were: the user-friendliness of their website, and presenting an appropriate brand image.

1.4.2   Other factors that were also considered important were: breadth of product, and after-sales service. A small group of respondents felt that testimonials (particularly

for those operating in the service sector) and reviews (particularly for those operating in retail fashion) were an important way of encouraging customers to make a purchase. Terms and conditions were not reported as a particularly important factor in making sales or driving repeat purchases.

1.4.3   Overall, the same factors were prioritised for both making sales and driving repeat purchases. However, some businesses made a particular effort to encourage repeat purchases by creating and developing a community of customers interested in their product (typically by email marketing) because they had identified that it was cost-effective.

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1.5.1   The main way in which businesses competed with each other on web design was to ensure that customers could find what they wanted within a very small number of clicks, as well as providing excellent written and visual product descriptions (e.g. online videos). 'Online chat' was mentioned by several as a key way of facilitating purchase.

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1.6   How important is being visible on search engines for your business?

1.6.1   Overall, being visible on search engines (e.g. Google) was considered imperative for any online business. However, it was clear that some businesses were less reliant on search engines than others, including: smaller businesses operating in niche sectors with little competition, known (offline) brand names, and those selling business-to-business.

1.6.2   Those who felt most reliant on search engines were therefore: unknown (offline) brand names (typically those with a turnover of less than £50 million), those operating in competitive online markets (e.g. fashion, consumer electronics), those operating in sectors that were perceived to operate almost entirely online (e.g. hygiene products), and new entrants.

1.7   What are the most important ways in which businesses drive visits to their websites?

1.7.1   The main channels used to drive visits to websites were Search Engine Optimisation (SEO)[1] and paid search (known more commonly as 'pay-per-click').[2] Most businesses used both strategies, although a small group of smaller businesses (with a turnover of under £2 million) only used SEO, largely because they were satisfied with the amount of custom this and other channels generated, and/or felt that the cost of paid search was prohibitive.

1.7.2   Other channels for driving visits to websites included: social media (for targeting niche groups and brand building), email marketing campaigns, platforms such as eBay and Amazon and, to a much lesser extent, affiliate marketing[3] and blogging. A very small number of businesses also used offline marketing activities to target extremely niche groups.

1.8   How do businesses use SEO and paid search to drive visits to their websites?

1.8.1   SEO and paid search were perceived as complementary activities. SEO was considered an essential long-term strategy for acquiring customers by improving and

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[1] SEO is best defined as a set of techniques that can be used by online companies to rank highly on a search engine's unpaid (organic) results. Businesses who want to rank highly on search engines' result pages for certain keywords need to improve and optimise various aspects of their websites and webpages for those keywords.

[2] "Paid search" is a form of online advertising: online businesses pay to display advertisements on a search engine's result pages when certain keywords are searched.

[3] "Affiliate marketing" is where a business pays third party publishers (e.g. other websites) to generate leads for their products.

maintaining online search rankings. Paid search was considered to be a shorter-term, more tactical strategy for acquiring customers, e.g. when launching a new product or service. Larger companies (with a turnover of over £10 million) launched paid search campaigns regularly, e.g. whenever they had a new product to promote; smaller businesses (with a turnover of under £2 million) did so less frequently (e.g. when promoting a sale), due to cost.

1.8.2   Nearly every respondent felt that SEO was an important part of their digital marketing strategy. Since SEO makes businesses or products visible to customers via organic search, it was perceived as more self-sustaining than paid search.

1.8.3   However, a small group of businesses - who had experience of unexpected changes in Google policy affecting their search engine rankings - questioned whether their reliance on SEO would continue in future. Some were considering alternative digital marketing strategies, e.g. more investment in paid search (which enabled businesses to jump to the top of the search rankings) and social media advertising.

1.8.4   Commonly, respondents felt that SEO success was being one of the top 5 entries on Google (although a few were even more ambitious and wanted to rank number 1 for their keywords). Newer entrants had more modest aspirations, seeking to improve their ranking over time. Another way of monitoring SEO success was monitoring overall web traffic, which the largest businesses (with a turnover of over £50 million) felt was an equally important measure.

1.8.5   Most businesses tracked both their organic search ranking results and return on investment for paid search activity. However, a small group of businesses (selling goods and services and of different ages, sizes and from different sectors) voiced their frustration about the perceived difficulty of being able to track and calculate a precise return on investment for SEO activity, regardless of whether SEO was being managed in-house or out-sourced. Typically, it was felt to be easier to determine a precise return on investment from paid search activity.

1.9 **What are the main costs in terms of IT capabilities, expanding the product range on offer, marketing investments and so on that a typical online business would have to incur?**

1.9.1   The main costs involved in setting up an online business were perceived to include: buying and storing stock, equipment and premises or, for those selling services, equipment and premises. Those reliant on sourcing suppliers to provide products on an ongoing basis (e.g. brands in the fashion sector) felt that this could also be challenging for newer entrants compared to established businesses who had secured ongoing relationships.

1.9.2   The main customer acquisition cost was felt to be digital marketing (both SEO and paid search). This was perceived to be a significant (and ongoing) cost, which respondents estimated could amount to between £500 and £1,500 a month for a start-up. By comparison, it was reported that the cost of website management systems could start at £150 a month.

1.9.3 **Are there any differences between incumbents and new entrants in terms of reliance on pay-per-click advertising to generate visits?**

1.9.3.1 Despite perceived expense, paid search was perceived as particularly important for start-ups. Respondents felt that new entrants needed to use paid search to generate immediate sales. Although paid search was generally considered expensive, respondents explained that if paid search campaigns were successful, costs could be recouped relatively swiftly through increased sales.

1.9.4 **How easily can new businesses reach consumers online?**

1.9.4.1 The challenges of setting up an online business were felt to include: a lack of working capital and a lack of in-house digital marketing support. A small group of respondents (all selling durable goods and with a turnover of less than £10 million)

also felt that finding professional SEO support could be a genuine difficulty, particularly in terms of assessing whether work by SEO consultants was improving rankings.

1.9.4.2 More established businesses (in terms of both age and scale) were felt to have an advantage over newer entrants in a number of ways, including working capital and in-house marketing support. Established businesses also explained that they had an advantage over newer businesses because their web content had been optimised for a longer period of time. As a result, Google was more likely to pick up keywords from their websites when ranking webpages.

1.9.4.3 High rankings were harder to achieve for new entrants operating in competitive sectors. To address this issue, new entrants looked for other ways to acquire customers, e.g. via paid search.

1.9.4.4 As discussed in 1.8.3 above, a number of respondents (who had experience of changes in Google policy affecting their search engine rankings) felt that changes to the way in which Google ranks search terms were also a potential barrier for new entrants. In addition, a very small number of respondents also felt that SEO was more challenging for new entrants since the top rankings were now taken by paid search entries.

1.9.5 Barriers to expansion were perceived to be similar to some of the barriers to entry, i.e. building the capital needed to invest in increasing visibility via digital marketing, as well as building the capital needed to improve systems to support increased demand.

1.9.6 How long would it take for a new entrant to be displayed among the top organic results for keywords highly relevant to its market?

The length of time it would take new entrants to be displayed among the top organic search results for keywords relevant to their market was felt to depend on several

factors, including: whether they naturally ranked highly (for smaller businesses operating in more niche sectors with less competition), the success of their SEO activity and the effect of their pay-per-click activity (which puts adverts at the top of the page, ahead of search rankings).

1.10   What new technological developments may affect the way in which businesses compete online in the future?

1.10.1   The technological developments that would change the way businesses competed online were felt to include: the growth of mobile technology, introduction of voice recognition, more video content, changing payment technology and increasing use of social media. When prompted, there was also a general awareness of the trend towards increasing search personalisation.

1.10.2   Many businesses from across the sample (selling goods and services, and of different ages, sizes and from different sectors) felt that it was crucial that websites were 'mobile-friendly'. Several reported that mobile sales were between 40%-80% of total sales and many had already invested in making their websites 'mobile-friendly'.

1.10.3   Respondents had been driven to make their websites 'mobile-friendly' by an awareness that: consumer search behaviour was different on mobile (e.g. how far people are prepared to scroll), an awareness that optimisation was different on mobile (e.g. limited content available to display on mobile), as well as an awareness that Google assesses whether a site is 'mobile-friendly' when determining search rankings.

1.10.4   The trend towards increasing personalisation tended to be perceived as an opportunity in terms of data analytics. The data generated by more personalised searches was perceived as offering additional marketing opportunities. In addition, a small group felt that in future, social media would be a more precise way of targeting customers.

2.   BACKGROUND

The Competition and Markets Authority (the CMA) is an independent, non-ministerial department that works to promote competition for the benefit of consumers, both within and outside the UK. The CMA aims to make markets work well for consumers, businesses and the economy.

Understanding how markets work is an important part of the CMA's duty to promote effective competition for the benefit of consumers. In particular, it is important for the CMA to stay abreast of the latest market developments that have the potential to affect consumers and competition. The Internet has been an important part of the economic landscape for some time now, but some questions remain regarding what it means for consumers and competition.

The CMA therefore embarked on a research project to understand how consumers search for products online and what this implies for how firms compete online. The overall aims of this project were to understand (in brief):

- *(a)* How consumers search online?
- *(b)* How do firms compete for customers online?
- *(c)* Given these findings, how might the CMA approach different types of cases dealing with online environments and what issues should the CMA be aware of?

The first stage of this research was conducted by the CMA and considered and compiled relevant research from the academic literature.[4] The literature review uncovered a large amount of material about how consumers search online and what this implies for how firms compete online. However, the CMA felt that there were still gaps in their understanding about how firms compete for customers online. The CMA therefore decided to commission a qualitative research project to deepen its understanding of the strategies companies use to compete online. The overall aim of the survey was to gather businesses' views on certain

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[4] For more details, see the published document.

aspects of online competition, in order to help the CMA improve its ability to carry out its statutory functions in a world of many online businesses.

3. RESEARCH OBJECTIVES

3.1 Which factors do online businesses consider important to acquire and retain customers in their sectors?

The literature review highlighted that online retailers seek to differentiate their offering from their competitors in a number of ways and also try to establish their own brand, even when selling relatively straightforward goods that do not vary much between sellers. However, the literature did not provide much more intelligence about *how* companies achieve such differentiation in the eyes of consumers. The objectives for the qualitative research were therefore to understand:

- What factors other than price do online companies consider important to *acquire* new customers and *retain* existing ones in their sectors?
- How do online companies seek to compete against their competitors in the areas they consider important to succeed in their sectors?

3.2 What strategies do online businesses use to attract potential customers, including how do they use Search Engine Optimisation (SEO) and paid search to do this?

This objective sought to provide an overview of which strategies online businesses use to get more visibility in search engine results. In particular, it sought to understand how businesses used SEO (and more specifically, how businesses select keywords they wanted to optimise their website for, as well as how often businesses achieved their desired ranking in search results) and which strategies, if any, businesses employed in paid search.

3.3   What are the most common barriers to entry and expansion in different markets for online businesses?

Barriers to entry and expansion can be an important aspect of competition, and the CMA will often be interested in how easy it is for new businesses to enter a specific market. However, the CMA's review of the literature on online search and online markets provided relatively little information on the barriers that prevented competitors expanding or new firms entering online markets. Therefore, the qualitative research aimed at filling this knowledge gap and to understand:

i.   What are the main costs in terms of IT capabilities, expanding the product range on offer, marketing investments and so on that a typical online business would have to incur?

ii.   How long would it take for a new entrant to be displayed among the top organic results for keywords highly relevant to its market?

iii. How easily can new businesses reach consumers online?

iv.   Are there any differences between incumbents and new entrants in terms of reliance on pay-per-click advertising to generate visits?

4. METHOD AND SAMPLE

4.1 Rationale for method

Since the aims of the research were essentially exploratory, a qualitative approach was chosen. The research objectives (as described in section 3) were open-ended and therefore discursive responses were required in order to address them in full. A qualitative method was used to gain an understanding of what strategies online businesses adopted in order to compete online, *why* they adopted these specific strategies, and *how* they implemented them.

Since the focus of the research was exploring individual businesses' online strategies, the research was conducted via a series of one-to-one depth interviews.[5] Dedicated one-to-one time (of around an hour) with a researcher was required in order to capture the level of detail needed to address the research objectives.

The one-to-one depth interview approach also enabled us to capture feedback from a diverse range of individual businesses from across the UK (as described in more detail in section 4.2). This method allowed us to analyse the data from different groups of online businesses which allowed both similarities and variations to emerge.

The sample comprised senior decision-makers, i.e. people who were able to discuss the overall strategic initiatives of their company in relation to its online operations. From experience of recruiting similarly senior personnel, we felt that there was a potential risk of senior respondents not being willing to participate in a face-to-face interview within the project timescales. The research approach therefore included a number of telephone depth interviews (23) as well as face-to-face interviews (37) in order to mitigate this risk.

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[5] Also known as an individual interview or (especially in the USA) a 'one-on-one', this is a qualitative market research interview with a single respondent. https://www.aqr.org.uk/glossary/depth-interview

The research was conducted in two phases. Firstly, a pilot phase of 10 interviews was completed to test the draft topic guide (as described in section 4.4). Secondly, a main phase of 50 interviews was achieved.

4.2   Sample

Qualitative samples are purposive; they aim to *reflect* rather than *represent* a specified population. A sample of 60 online businesses was an attempt to reflect some of the diversity of businesses currently operating online in the UK.

The sample design focused on capturing the views of businesses with experience of operating online. Therefore, to be included in the sample, online businesses needed to be retailers of goods and/or services to customers in the UK and to satisfy either of the following criteria:

- *"generating at least 50% of its revenue directly or indirectly from orders placed on its website or elsewhere online (e.g. on marketplaces like Amazon or eBay)"*
  OR
- *"generating annual revenues from online sales in the UK for the business of at least £5 million"*

Intermediary businesses and platforms were excluded from the sample, e.g. search engines, marketplaces and social media.

The sample was segmented in terms of turnover as described in the table below:

	Main sample	**Pilot sample**
Less than £500,000	5 interviews	2 interviews
£500,000-£2,000,000	10 interviews	2 interviews
£2,000,000-£10,000,000	15 interviews	3 interviews
More than £10,000,000	15 interviews	3 interviews
More than £50,000,000	5 interviews	
	50 interviews	10 interviews
Total	**60 interviews**	

Across the sample, the following was achieved:

- **A range of types of goods (45 interviews)**
- Including durable goods (38 interviews) and non-durable goods (7 interviews) Including differentiated goods (40 interviews) and homogenous goods (5 interviews)

- **A mix of services (15 interviews)**
- Including simple[6] (7 interviews) and complex[7] (8 interviews) services.

- **A range of businesses from different sectors,** e.g. leisure, travel, software, financial services, fashion, consumer electronics, engineering, general merchandise, automotive, food and drink, clothing, healthcare supplies, healthcare services, home and garden ware.

The CMA was interested in whether there were significant barriers to growth and expansion for new businesses. Therefore a range of businesses of different ages were included in the sample, including:

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[6] Simple services were defined as those that are relatively simple for consumers to compare and make decisions about. Simple services will tend to have one or two key variables or interest that consumers care about and not require specialised knowledge or a long time to compare.
[7] Complex services were defined as those that have multiple attributes and therefore are more difficult for consumers to compare. These services may require specialised knowledge or a significant amount of time to be properly evaluated by a potential consumer. It would be unlikely that a consumer would purchase a complex service without prior knowledge after only one website search.

- 8 interviews with new entrants (a mix of new businesses or established businesses operating online for less than 3 years)
- 22 interviews with those operating online for 3-10 years
- 30 interviews with those operating online for over 10 years

Interviews were conducted across England (45 interviews), Scotland (8 interviews), Wales (4 interviews) and Northern Ireland (3 interviews).

More detail about the recruitment approach and recruitment materials is included in Appendix A.

4.3 A note on methodology

Qualitative samples are purposive and quota-driven in nature; they are designed to achieve specific outcomes. Consequently, they have no quantitative accuracy in terms of identifying proportions of populations holding stated views.

For these methodological reasons, it is not appropriate to present qualitative findings in terms of the numbers of respondents expressing certain views. The findings in this report are therefore described in qualitative terms. As a purely indicative guide: terms such as 'a small group' indicate a number in the region of 5-10 respondents; terms such as 'a very small group' indicate a number less than 5.

4.4 Research content

At the beginning of the project, a draft topic guide was piloted with a sample of 10 online businesses. After discussion of the findings, amendments to the clarity of the questions were made. Notably, this included amendments to questions about 'paid search', which was commonly referred to by respondents as 'pay-per-click'. A copy of the topic guide is appended in Appendix B.

4.5   Use of the term 'search engine'

When respondents used the term 'search engine', they were generally referring to Google, although there were isolated mentions of others, e.g. Bing.

5.   MAIN FINDINGS

5.1   Which factors other than price do online businesses consider important to acquire new customers and retain existing ones in their sectors?

5.1.1   **The extent to which online businesses competed on price varied. Some could not compete on price if operating in markets where price points are largely 'fixed', such as digital music downloads. Equally, some businesses with a smaller turnover felt that they were simply unable to consistently compete on price against much larger competitors:**

"It's such a massive market [fashion], there's only so much you can do about it. If customers want to buy on Amazon then they'll buy on Amazon. They tend to always undercut everyone." (Fashion, £500k-£2 million)

Some selling luxury products chose not to compete on price, feeling that competing on price would not be appropriate for their brand:

"We can't always match our competitors' prices or offers because we don't want to damage or devalue our brand." (Home and Garden, £10-£49 million turnover)

5.1.2   **Amongst those competing on price, the intensity of the competition varied.** Competition on price was most intense amongst those selling exactly the same type and range of goods as other online retailers (e.g. branded beauty products, consumer electronics). However, even businesses intensely competing on price reported that they were competing on other factors too:

"We compare ourselves to them and make changes, mainly to prices of course, but we also change the website design in reaction to what they [competitors] are doing, but price is the main thing." (Consumer electronics, £2-£10 million turnover)

5.1.3 **It emerged that competing on a range of factors in addition to price was perceived as offering online businesses flexibility.** Many respondents commented that competing on a range of factors enabled them to choose whether to respond to competitor moves and, if so, in different ways:

"We do monitor and observe our competitors, but we are more innovative and have an edge over our competitors in other ways, so we don't really need to react." *(Automotive, over £50 million turnover)*

"We try to react quickly [to competitor moves], but the main thing we focus on is quality. We are different because we do everything traditionally and hand finished." *(Food and Drink, £10-£49 million turnover)*

5.1.4 **The factors which respondents across the sample (selling goods and services, and of different ages, sizes and from different sectors) felt were most important in terms of acquiring new customers and retaining existing customers were: the user-friendliness of their website, and presenting an appropriate brand image.**

5.1.4.1 The user-friendliness of the website (as described in section 5.1.5) was felt to be critical in creating a positive customer experience, which in turn was felt to be essential for converting browsing into purchasing as well as encouraging repeat purchasing. The need for a user-friendly website was driven by customer behaviour: respondents clearly felt that customers expected to be able to purchase online quickly and easily.

5.1.4.2 Presenting an appropriate brand image (as described in section 5.1.7) was felt to be critical in terms of differentiating businesses from their competitors, attracting new customers, as well as building ongoing relationships with customers in order to drive repeat purchasing.

5.1.5 **The recipe for a 'user-friendly' site was felt to involve making it easy for customers to find what they want:**

"It's all about usability. Your site must be very easy for the customer to use. You need them to stay on the site, explore, by giving them options, by making sure that they don't hit dead-ends and there's always somewhere else for them to go." (Travel, £10-£49 million)

5.1.5.1 The main way in which businesses competed with each other on web design was to ensure that customers could find what they wanted within a very small number of clicks, as well as providing excellent written and visual product descriptions (e.g. online videos). Additional ideas for helping customers find products easily included identifying 'frequently bought items', providing 'stock counters', and personalised recommendations.

5.1.5.2 Another way in which online businesses competed with each other was providing swift, helpful support. 'Online chat' was mentioned by several as a key way of facilitating purchase:

"We have a live chat service that connects directly to my phone via an app so I can reply instantly, wherever I am. Online shoppers expect instant replies and results so it's important to provide that or you'll lose the sale." (Engineering, under £500k turnover)

5.1.5.3 Making it easy for customers to make a purchase was also identified as an important way of facilitating an efficient shopping experience:

"You want to make the experience at checkout easy and convenient. You can lose customers at checkout if it's complicated. Easier checkout helps to convert browse to sales." (Clothing, £10-£49 million turnover)

Ideas for competing with other online business to facilitate customer purchasing included the use of PayPal and the ability to change currency:

"The site converts into six different currencies so you can purchase with any of them."
(Travel, £10-£49 million)

5.1.6 **Respondents representing businesses in the financial services sector felt that the clarity and simplicity of their web content was a particularly key factor in terms of attracting customers, as noted by two different online businesses below:**

"We invest a lot in product information. We try to make sure that if there is something complex, we ask ourselves whether it needs simplifying." (Financial services, £10-£49 million turnover)

"It's about clarity; telling the customer what they need to know in the simplest way, answering all the questions they could possibly have." (Financial services, £10-£49 million turnover)

5.1.7 **Respondents from across the sample felt that presenting an appropriate brand image – both visually and in terms of content – was key to acquiring and retaining customers.**

5.1.7.1 Those operating in the fashion sector were particularly focused on projecting an appropriate brand image to their customers:

"The content is constantly changing. We collaborate with interesting companies. We need to be cool, to appeal to the generations using the Internet and technology in order to get people talking about you, following you, liking you, sharing your products." (Fashion, £10-£49 million turnover)

"You can't just sell them clothes. You've got to be more than a retailer; you've got to provide a story. You've got to tell them about fashion and trends and tips." (Fashion, £2-£10 million turnover)

5.1.7.2 The ways that online businesses competed with each other to present their brand image included a focus on visual presentation (e.g. the use of photography and online video), as well as content (e.g. blogs):

"We market ourselves as edgy and cool and young, so our site needs to reflect that. We've spent a lot of money on photography, design and video." (Leisure services, £500k-£2 million turnover)

"Sparking people's interest with really interesting content is really important, like blogging." (Software development, £2-£10 million turnover)

5.1.7.3 Some businesses had identified what they regarded as 'unique selling points' that they felt differentiated them from their competitors. For example, one retailer was differentiating itself by demonstrating that their goods were produced under ethical working conditions.

There was also a very small group of smaller businesses who were aiming to differentiate themselves by expanding their offer. For example, there were those offering services who had also decided to offer 'add-on' products, and those offering products who had also decided to offer 'add-on' services.

5.1.8 Whilst all businesses felt that a user-friendly website and presenting an appropriate brand image were the most important factors in acquiring customers and retaining existing customers, there were other factors that were also considered important: breadth of product and after-sales service (including delivery).

5.1.9 Breadth of range was important for businesses across the sample, although the way in which businesses competed on range differed by size of business.

5.1.9.1 Bigger businesses (with a turnover of over £10 million) needed to present a wide breadth of products across categories in order to provide customers with a 'one-stop-shop' (e.g. DIY goods):

"We hold such a breadth of product that we can find our customers a solution for several problems, rather than having to use several different companies." *(Electronics, over £50 million turnover)*

5.1.9.2 Breadth of product was important for businesses that specialised in a particular product niche (who needed to present customers with a breadth of choice of that particular product):

"Having breadth of product is important, having a big variety. But you can't stock every colour of every style of every design." *(Specialist clothing, £500k-£2 million)*

5.1.9.3 Where smaller businesses could not provide a comprehensive range (i.e. a one-stop-shop), they competed on range in other ways. For example, those operating in the fashion sector felt that it was important to sell particular brands. Those in other sectors competed by offering new products, exclusive products or different products (e.g. products related to special events).

5.1.10 After-sales service was an important factor for businesses across the sample, although the way in which businesses competed on after-sales service differed by size.

5.1.10.1 For larger businesses (with a turnover of more than £10 million), the need for good after-sales service, and particularly efficient delivery, was driven by a need to meet customer expectations:

"I think we might be behind on our after-sales service because our delivery could be quicker – and free." *(Fashion, £10-£49 million turnover)*

5.1.10.2 For smaller, more specialist businesses (with a turnover of less than £2 million), after-sales service was identified as a way in which they could differentiate themselves by offering a more personal service:

"I contact them personally if I think there's a problem with a size someone has opted for." (Clothing, £500k-£2 million turnover)

5.1.11 **A small group of respondents felt that testimonials (particularly for those selling services) and reviews (particularly for those selling goods) were an important way of encouraging customers to make a purchase:**

"It's very easy for people to voice their disapproval online and ruin your reputation." (General merchandise, £2-£10 million)

"Reviews are pretty essential. We always plead with customers to leave feedback and we've had positive feedback that way." (Health supplies, £500k-£2 million turnover)

"Bad reviews can spread very fast on social media and you have to avoid them." (Financial services, £2-£10 million turnover)

5.1.12 **Amongst this sample, terms and conditions were not reported as a particularly important factor in making sales or driving repeat purchases.**

5.1.13 **For some businesses, selling entirely online was perceived as a point-of-difference in itself:**

"We decided to be the brand of online, to be the lead in our sector. Our competitors were still trying to support retailers and focus on selling to retailers, but we decided to focus entirely online as it's the future and to let the retail side drop." (Home and Garden, £2-£10 million turnover)

"When we started, we were pioneering the online delivery of this business. No one else was doing it online 8 years ago." *(Healthcare, £500k-£2 million)*

5.1.14 Overall, respondents felt that they prioritised the same factors for both making sales and driving repeat purchases. However, some smaller businesses felt that they made a particular effort to drive repeat purchases by creating and developing a community of customers interested in their product (typically via email marketing as discussed in section 5.2.6). This was perceived to be a cost-effective way of targeting customers known to have an interest in their products/services:

"Retaining customers is always more cost-effective because you've done the research, the preparation and completed their first order. The first order might take a couple of hours, but once you know what you're doing and start producing them in batches, they only take 10 minutes each." *(Engineering, under £500k turnover)*

"It's better to get returning customers to come back to you. Our figures show us that they convert twice as well as new customers." *(General merchandise, £2-£10 million turnover)*

"Returning customers make up about 50% of our client base. You would struggle to acquire 100% new customers year-on-year, so you do rely on returning customers." *(Travel, £10-£49 million)*

5.2 <u>What are the most important ways in which businesses drive visits to their websites?</u>

5.2.1 The main channels that online businesses used to drive visits to their websites were:

- Search engine optimisation (SEO);
- Paid search (often referred to as 'pay-per-click');

- Social media (typically Facebook and Instagram, to a lesser extent Twitter, Snapchat and Pinterest);

- Email marketing campaigns;

- Platforms, e.g. eBay and Amazon; and

- (to much less extent) affiliate marketing and blogging.

As described in 5.2.3 below, these channels were used for different purposes.

5.2.2 A very small number of businesses were able to target extremely niche groups of customers with offline marketing activities (e.g. leaflets, trade fairs, direct mail). These offline activities were felt to complement online marketing activities:

"We exhibit at tech days across the world to promote our brand and let customers know we exist and direct them to the website." (Automotive, over £50 million turnover)

"We still advertise in the trade press. A lot of the decision-making in engineering is still done by older people who sip their cup of coffee at their desk and flick through a magazine." (Engineering, £2-£10 million turnover)

5.2.3 Although SEO and paid search were generally perceived as the main ways of acquiring customers, social media and email marketing campaigns were also considered important channels, but for different purposes. As discussed below in 5.2.5, social media was used to target specific groups of customers and to build brand awareness. As discussed in 5.2.6, email marketing was used to drive repeat purchases from existing customers. Other channels (e.g. affiliate marketing, blogging and offline marketing activities) were perceived as additional, alternative elements in the overall digital marketing mix.

5.2.4   A combination of SEO and paid search was used to acquire customers by businesses selling goods and services of all sizes, ages and sectors across the sample.

5.2.4.1 SEO and paid search were perceived as complementary approaches: SEO was generally described as a longer-term acquisition tool; paid search was generally described as a shorter-term acquisition tool. Businesses tended to implement a series of shorter, targeted paid search campaigns alongside an ongoing SEO strategy:

"If you're doing a product launch then you would want to use pay-per-click. But long-term, you want your SEO to work and to build natural and organic traffic." (Music, over £50 million turnover)

"When we take on a new brand it takes a while for Google rankings to pick it up. So we do the pay-per-click for the first two to three months, until the organic rankings build, then we stop the pay-per-click." (Fashion, £2-£10 million turnover)

"In the long term, SEO is very important in terms of how you are perceived by the market. Paid search is important because it can generate instant income." (Clothing, £500k-£2 million turnover)

5.2.4.2 A very small number of smaller businesses selling durable goods (with a turnover of under £2 million) were using SEO but not paid search, largely because they were either satisfied with the amount of custom generated by SEO and other channels, and/or because they felt that the cost of paid search was prohibitive:

"We do all right with SEO. People find us without us needing to pay out more on paid search." (Textiles, £500k-£2 million turnover)

5.2.5   Social media activity was also used for brand-building by businesses selling goods and services of all sizes, ages and sectors across the sample:

"On social media we try to share our expertise. It's about sharing knowledge and making contact with potential customers and letting them know we exist." (Home and Garden, £10-£49 million turnover)

"Instagram is less for selling and more for 'our story'." (Clothing, £10-£49 million turnover)

5.2.5.1 It was also pointed out that social media was a way for the very newest businesses to build a customer base without incurring the expense of either SEO or paid search:

"Start on Facebook. It's an immense data centre where you can target and advertise for £50 a day and start to make good sales." (Fashion, £2-£10 million turnover)

5.2.5.2 There was a very small number of respondents (who currently felt that they were reliant on acquiring customers via search engines, as discussed in section 5.3.3.5) who explained that they would be moving away from SEO and towards paid search and social media as an acquisition channel. The decision to move towards social media was driven by the ability to target customer groups as well as the effect of changing Google policies on search rankings (as discussed in section 5.4.8):

"As we continue to build brand awareness and brand loyalty, growing our database and social media following, we hope we can reduce our reliance on Google." (General merchandise, £2-£10 million turnover)

"It is important that we stay at the top of the search, but a lot of our business comes from social media." (Food and drink, £10-£49 million turnover)

"We do Facebook shopping. We've got about 18,000 fans. We target them specifically." (Food and Drink, £500k - £2 million turnover)

5.2.6   Email marketing was used to drive repeat purchases from existing customers.

5.2.6.1 Those using email marketing included businesses selling goods and services of all sizes, ages and sectors across the sample:

"The most important one is email. We have a base of about 650,000 customers and we tend to email three times a week." (Financial services, £10-£49 million turnover)

"A lot of our business is from ex-pats or people who have moved abroad and still order from us. There will be huge gaps between those purchases." (Food and drink, £10-£49 million turnover)

5.2.6.2 Email marketing was perceived as building long-term relationships with customers. This was contrasted against the more immediate sales generated by paid search:

"We want to build a base of returning customers who will come back online and into store and recommend us to others. Paid ads don't usually generate this kind of traffic." (Clothing, £500k-£2 million)

"In an email newsletter campaign we can reach thousands of people, but it might not generate many leads. With a Google Ad you may reach less people, but there's a stronger potential of converting a sale." (Software, less than £500k turnover)

5.2.7   Those using platforms as a customer acquisition channel (e.g. eBay and Amazon) were all selling durable goods, but included a range of businesses of different sizes, ages and sectors.

5.2.8   Businesses selling goods tended to feel that their customer journey was relatively straightforward, i.e. largely online and via search engines. The exception was those with both an online and high street presence, who felt that customers might use both online and offline channels when making a decision about what to purchase.

5.2.9   Businesses selling more complex services (e.g. financial services) tended to feel that their customers used more channels when making a purchase decision. The

purchase of a service was felt to be influenced by a mix of channels including different online channels (e.g. user reviews, testimonials) and offline channels (e.g. word-of-mouth).

5.3   How important is being visible on search engines for your business?

5.3.1 Businesses from across the sample (selling goods and services, and of different ages, sizes and from different sectors) expressed the view that it was imperative for their business or products to be visible on search engines:

"It's critical [to be visible on search engines] because that's where customers start their journey. Everyone asks Google." (Home and Garden, £2-£10 million turnover)

"It's massively important. At least 50% of our website traffic is through Google. The other week, one of our techies made a mistake and Google couldn't find us for two days. Our online sales halved." (General merchandise, £2-£10 million turnover)

5.3.2   Although most *claimed* that it was important for their business or products to be visible on search engines, it was clear that some businesses needed to make less effort to appear high up in search rankings than others.

5.3.3   Those who needed to make less effort to appear high up in search rankings tended to be smaller businesses (under £2 million turnover) operating in niche sectors with fewer competitors, or larger businesses (over £50 million turnover).

5.3.3.1 There were some smaller businesses who felt that they did not need to be as active as others in trying to improve their search ranking. For example, some operating in niche sectors with fewer competitors naturally found themselves higher up the organic search results:

"We naturally rank quite high on Google because our business is so unique."
(Textiles, £500k-£2 million turnover)

"We're bespoke, and people looking for our service will be looking quite specifically for our type of company." (Engineering, under £500k turnover)

"We haven't invested a lot in SEO because we naturally come up high in the rankings." (Clothing, £500k-£2 million turnover)

5.3.3.2 There was only one business that actively did not want to rank highly on search engines. This business sold old stock, and it was important that older products did not appear higher up the search results than current products sold by the same suppliers.

5.3.3.3 In addition, there were those amongst the very biggest businesses within the sample – known (offline) brand names with a turnover of more than £50 million – who were also less concerned about the need to be at the top of search rankings:

"We're well known and recognisable by the brands we offer and the companies we work with. Of course, it is good to be at the top and we would be happy to be at the top, but it's not something we really push for. The chances are people already know our website exists and go straight to it." (Automotive, over £50 million turnover)

5.3.3.4 Equally, those selling business-to-business felt that it was less imperative for them to be at the top of rankings on search engines' results (which were largely perceived as a consumer channel):

"Because we're more business-to-business, people tend to find us because they already know we exist." (Music, over £50 million turnover)

5.3.3.5 Businesses that were not known (offline) brand names were well aware that this factor increased their reliance on search engines:

"On Google, people either search for a shop or brand that they already know, or they will type in a keyword or what they're looking for. That's when you need to make sure your new site and new name will pop up high in the rankings." (Home and Garden, £10-£49 million turnover)

"It's 100% important [to be visible on search engines]. We completely rely on visibility to get people to our site. It's very important because our brand isn't nationally recognised." (Fashion, £10-£49 million turnover)

5.3.3.6 Businesses that were not known (offline) brand names and operating in highly competitive online sectors knew that their reliance on search engines was critical. This group included new entrants:

"Fashion is the biggest online seller, so it's extremely competitive." (Fashion, £500k-£2 million turnover)

5.3.3.7 Amongst this group were businesses from sectors which they felt operated almost entirely online (e.g. hygiene products) who, once again, knew that they were highly dependent on search engines:

"All the selling in this sector is online. Our main competitors sell online and they spend something like £60k per month on online ads and so on." (Health supplies, £500k-£2 million turnover)

5.3.4   Those who felt most reliant on search engines were therefore:

- Those operating businesses that were not known (offline) brand names (typically those with a turnover of less than £50 million);
- Those operating in competitive online markets, e.g. fashion, consumer electronics (typically durable goods);
- Those operating in sectors that were almost entirely online;

- New entrants.

5.3.5 Overall, most businesses felt that their reliance on search engines would either remain the same or increase over time. However, some did not want their reliance on search engines to continue. These businesses did not want to be vulnerable to changes in the way Google ranks websites (as discussed in section 5.4.8).

5.4 How do businesses use Search Engine Optimisation (SEO) to drive visits to their websites?

5.4.1 SEO (acronym for Search Engine Optimisation) is best defined as a set of techniques that can be used by online companies to rank highly on a search engine's unpaid (*organic*) results. Businesses who want to rank highly on search engines' results pages for certain keywords need to improve and optimise various aspects of their websites and webpages for those keywords.

5.4.2 Some businesses may carry out SEO activities in-house, whereas others outsource their SEO work to external, specialised SEO agencies.

5.4.3 In the interviews, we aimed to explore how online companies used SEO to compete in online markets. Specifically, we enquired about:

- How important SEO was for them to generate traffic;
- The strategies they used improve their organic rankings and the challenges they faced;
- How they defined and measured success for their SEO strategy.

5.4.4 How important is SEO in terms of generating traffic?

5.4.4.1 Nearly every respondent felt that SEO was an important part of their digital marketing strategy. As discussed in section 5.2.4.1, the benefits of SEO were felt to

be acquiring customers in the longer-term. As a strategy for making businesses or products visible to customers via organic search, SEO was perceived as an investment which continued to deliver results in the longer term. By comparison, paid search was only felt to deliver results in the shorter term, while the investment was being made.

5.4.4.2 As discussed in section 5.2.4.1, most respondents felt that, ideally, online businesses would be investing in both paid search and SEO. However, there were circumstances where SEO was preferred over paid search. Some smaller businesses (with a turnover of less than £2 million), and newer businesses, felt that the cost of paid search was prohibitive, so they relied on SEO:

"I know the site needs to be SEO'd properly and maybe Google Ads will be the next thing we should consider, but that's very expensive. I'm considering testing the water at the moment. I've researched a bit. Some of the words I want to bid on are around £5 each." (Health supplies, £500k-£2 million turnover)

There were also some smaller businesses who felt that they did not need to generate more sales by using paid search in addition to SEO. These included businesses with alternative acquisition channels (e.g. selling via platforms such as eBay and Amazon or those with their own offline sales force):

"I sell a lot on eBay and they do the marketing for me." (Electronics, £2-£10 million turnover)

5.4.4.3 A very small number of respondents felt that building an organic following was a more ethical approach to digital marketing than using paid search. They felt that it was preferable for a business to work their way up the search rankings due to customer popularity, rather than paying to be top of the rankings:

"The company are much more focused on building an organic following, researching the market and understanding what people want and need and then doing their best

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to appeal to this customer base, gaining customers through an organic 'honest' way, rather than paying. They believe that the brand is as good as they make it, rather than paying for it." (Electronics, over £50 million turnover)

"People used to rely heavily on pay-per-click, but now Google puts an 'Ad' symbol by the paid ads, customers know when it's a paid ad and it can actually put them off clicking it. If a company ranks highly without an 'Ad', then it's because they are popular and used a lot and more trustworthy." (Consumer electronics, under £500k turnover)

5.4.5   How did businesses go about improving their rankings with SEO?

5.4.5.1 Businesses improved their rankings with SEO by choosing keywords they wanted to rank highly on and then ensured that their web content included these keywords.

5.4.5.2 Businesses approached the identification of relevant search terms and keywords with varying levels of sophistication. A very small number felt that, for their business, the relevant search terms and keywords were relatively 'obvious':

"It's just having a knowledge of the field and experience in what works and knowing your product." (Music, over £50 million turnover)

"It's a common sense, product-related choice of keywords." (Software development, £2-£10 million turnover)

5.4.5.3 A small group of businesses (with a turnover of under £10 million) relied on SEO consultants to suggest relevant search terms and keywords:

"The agency we use updates our keywords and reviews how they are working. Recently we changed all our keywords and meta-tags." (Leisure services, £500k-£2 million turnover)

5.4.5.4 Most researched relevant search terms and keywords using keyword tools (e.g. Google AdWords), often an activity that they had already adopted as part of their paid search strategy:

"We use Google Keywords [AdWords]. You type in a brand and Google gives positive and negative words and the average number of times that people are typing in that word." (Fashion, £2-£10 million turnover)

"Say for credit cards … Google will come back and say 'Here are all the terms people will search on for credit cards and here is the approximate monthly volume of searches we see for each of these terms'. So we use that to prioritise the terms we want to appear for our searches." (Financial services, £10-£49 million turnover)

"There's an enormous amount of SEO analytics online that allow us to access and react to keywords that are searched the most. There are links to paid search because the analytics from paid search can tell us which words are most popular." (Financial services, £10-£49 million turnover)

5.4.5.5 A very small group spontaneously raised the topic of businesses tactically adopting competitor-related keywords. (Most businesses did not mention this practice, so it is unclear how widespread it is):

"We worked together [with an agency] to target keywords, trying to 'steal' business from competitors by linking their brands into my choice of keywords." (Healthcare, £500k-£2 million turnover)

"It's a competitive and clever market, so some competitors will include keywords related to other competitors on their pages." (Financial services, £10-£49 million turnover)

5.4.6 How did businesses judge the success of their SEO strategy?

5.4.6.1 Most businesses tracked their search ranking results, as well as their competitors', in order to see whether their SEO strategy was working. The frequency of tracking varied. Those whose businesses ranked naturally highly (who tended to be smaller businesses operating in niche sectors with fewer competitors, as discussed in section 5.3.3) monitored their ranking and their competitor rankings on an ad hoc basis:

"Yes, we check our positions, but more on a casual interest basis." (Clothing, £500k-£2 million)

5.4.6.2 A small group of businesses (with a turnover of under £10 million) relied on SEO consultants to check their rankings on their behalf on a regular basis and to advise them how to proceed:

"We don't check our competitors' rankings, but our SEO people do and they let us know. They send us a report and tell us if we need to do anything differently." (Consumer electronics, £2-£10 million turnover)

5.4.6.3 Most businesses regularly used bought-in data analytics tools to help them monitor their ranking, e.g. SEM Rush, Raven Tools, Ahrefs:

"There is software around that shows the number of searches and where we rank and where our competitors rank." (Financial services, £10-£49 million turnover)

5.4.6.4 For the bigger businesses within the sample (those with turnovers of more than £10 million), monitoring was on a daily basis. These businesses employed digital marketing teams to optimise their websites by responding to continuous data analysis:

"The pages are monitored and analysed on a daily basis. You need to make sure that your keywords match what people are actually typing into search engines. You need to make sure your products match your keywords so that customers can get what they're looking for as quickly as possible." (Automotive, over £50 million turnover)

"On a weekly basis, we run reports to check how we are performing on our key terms, but some of the team do it on a daily basis to constantly make changes and respond." (Home and Garden, £10-£49 million turnover)

5.4.6.5 Respondents from across the sample agreed that customers were unlikely to search beyond the first page of search results. Commonly, respondents felt that success was being one of the top 5 entries:

"It depends on the term, but we generally aim to get all our core keywords on to page 1 of Google." (Travel, £10-£49 million turnover)

"Ranking one is satisfactory; top three is essential; below the top three is not acceptable. Not top one or three for all keywords, but it's our goal and that's what we work towards." (Home and Garden, £10-£49 million turnover)

"Depending on how competitive the word is, we would expect it to be in the top six." (Fashion, £2-£10 million turnover)

5.4.6.6 A very small number of respondents were even more ambitious and wanted to rank number 1 for their keywords:

"I want to be in the number one position, 99% of the time, for our keywords and brands." (Home and Garden, £10-£49 million turnover)

"We're currently ranking number one on Google [for the keywords we have chosen], so it's very successful." (Leisure services, £500k-£2 million turnover)

5.4.6.7 Newer entrants had more modest aspirations about how far up the search rankings they would be able to reach in the short-term, as discussed in section 5.6.8.9.

5.4.6.8 Another way of evaluating success was monitoring overall web traffic, which the biggest businesses in the sample (those with a turnover of over £50 million) also monitored:

"We check we are getting the traffic we would expect and whether we are growing traffic year-on-year." (Home and Garden, £10-£49 million turnover)

"We measure the number of people visiting the site and this year we were 400% up, so we know our strategy is working." (Automotive, over £50 million turnover)

5.4.7   What are the challenges of SEO?

5.4.7.1 One of the key challenges of SEO was the perceived difficulty of being able to work out a precise return on investment for SEO activity. Although some businesses monitored overall web traffic, others complained that they were unable to work out what had contributed to the increase in web traffic – SEO, paid search or customers finding their own way to the site:

"There's enough new customers coming through pay-per-click to make it worthwhile, but SEO customers you may have got anyway, organically, without paying to improve SEO [i.e. optimise the website]." (Clothing, £10-£49 million turnover)

5.4.7.2 A small group of respondents (including those selling goods and services of different sizes, ages and sectors) expressed frustration about their inability to identify results specific to SEO:

"SEO work isn't really tangible and it is difficult to quantify and people can charge big money for doing SEO work." (Home and Garden, over £50 million turnover)

"It's hard to measure return on investment on SEO. It's an investment I feel I need to make [because it's part of our digital strategy], but I've also just placed a lot of trust in both Google and the SEO agency." (Healthcare, £500k – £2 million turnover)

"I don't think you can accurately map sales against SEO input. I'm not convinced SEO directly increases sales; it's a long-term game." (Fashion, £10-£49 million turnover)

"With paid search, there is a lot more data available that you can review and optimise and select the terms that are working well. This data isn't available for SEO and organic traffic." (Home and Garden, £10-£49 million turnover)

5.4.7.3 Another small group of respondents (all selling durable products and with a turnover of less than £10 million) felt that it was also difficult to assess the quality of SEO consultants. The difficulties were felt to include not knowing what SEO consultants were doing, how long it should take them and whether what they were doing was effective:

"We lost trust in our last SEO agency because they couldn't explain what exactly they were doing with my money and the budget to improve SEO." (Clothing, £2-£10 million turnover)

"It's difficult to know if the SEO expert you're paying knows what they're doing and if they can get SEO to work for you." (Consumer electronics, under £500k turnover)

"They don't always deliver what they say they will or can't do the work they say they can. They charge for their time but you don't know how long these things really take them." (Fashion, £500k-£2 million turnover)

5.4.7.4 Most used SEO consultants (even larger businesses with in-house digital marketing teams). It tended to be those amongst the smaller companies in our sample (with a turnover of under £2 million) who did not use SEO consultants, largely due to price.

5.4.8   Future use of SEO

5.4.8.1 A small group of businesses (those with experience of changes in Google policy affecting their search engine rankings) questioned whether their reliance on SEO would continue in future. They felt vulnerable to future Google policy changes and, for this reason, felt that the balance of their digital marketing strategy was likely to tip away from SEO towards paid search and/or social media:

"Google are making it more difficult for you to improve your rankings through organic SEO. Paid search is becoming more important and it feels like Google are placing more importance on these with Google Shopping and things. It becomes a bidding war." (Home and Garden, £10-£49 million turnover)

"Back in 2004, when we started, no one was online, so SEO was easy … You used to be able to manipulate Google and its algorithms to rank highly. But then Google changed the rules and overnight everyone lost their rankings and were penalised. This led to a tough few years where gaining customers became harder and we went into the paid arena … I've had enough of Google and worrying about where we come in the rankings. We're moving more towards paid search." (Fashion, £2-£10 million turnover)

5.4.8.2 At the very least, keeping up with Google policy changes in order to keep websites optimised was perceived to be challenging:

"Google change their terms so often, you need an expert who is working on it all the time to keep up." (Consumer electronics, under £500k turnover)

"I try to keep on top of developments with Google and SEO but it seems to change constantly and everyone has different opinions and ideas about what you need to do." (Leisure services, £500k-£2 million turnover)

5.4.8.3 Although Google policy changes were perceived as an unknown, continuing changes were expected:

"As we continue to grow brand awareness and loyalty and grow our database and social media following, we hope we can reduce our reliance on Google. It's one area of the business which we can't control, yet we rely heavily on it for traffic and sales." *(Fashion, £2-£10 million turnover)*

5.5   How do businesses use paid search to drive visits to their websites?

5.5.1   "Paid search" is a form of online advertising: online businesses pay to display advertisements on a search engine's result pages when certain keywords are searched. Advertisers bid to place their advertisements in response to specific word searches, usually by expressing their bids in terms of the cost they are willing to pay for each click their ad will get.

5.5.2   In the interviews, we aimed to explore how online companies use SEO to compete in online markets. Specifically, we enquired about:

- How important paid search was for them to generate traffic, and whether it fulfilled different strategic objectives from SEO;
- The strategies they used and the challenges they faced when investing in paid search;
- How they defined and measured the success of their paid search strategy.

5.5.3   How important is paid search in terms of generating traffic?

5.5.3.1 As discussed in section 5.2.4.1, paid search was perceived as a strategy which complemented SEO. Paid search was typically viewed as a short-term acquisition tool:

"New customer acquisition is mainly from Google Ads; retaining customers is from email marketing and text message marketing." (Clothing, £500k-£2 million)

"You'd be naïve to think SEO will do all the work alone. You do need pay-per-click as well to really boost sales and drive traffic." (Automotive, over £50 million turnover)

5.5.3.2 Respondents sometimes referred to paid search 'campaigns', language which reflects the language Google uses when referring to groups of paid search adverts:

"Competitors may have cut prices, so I'll run a six-week campaign, or maybe I've opened in a new location and so I'll launch a campaign." (Healthcare, £500k – £2 million turnover)

"I use paid search when business is quiet or there is something new to promote. It's fairly ad hoc. I look at specific terms that might be cheaper and adjust the budget depending on the results." (Engineering, under £500k turnover)

5.5.3.3 The frequency of paid search campaigns differed between smaller and larger businesses within the sample. Cost constraints meant that smaller businesses (with turnovers of less than £2 million) used paid search much less frequently than larger businesses (e.g. when launching a seasonal sale):

"We tend to use it when aggressively looking for new business, rather than an everyday practice." (Leisure services, £500k-£2 million turnover)

"We use pay-per-click in short bursts when launching a new product, or at certain times of year, such as Christmas. When we overhauled our website, we used pay-per-click a lot, which gave great returns. We used it then because we wanted an immediate impression and result." (Consumer electronics, under £500k turnover)

5.5.3.4 However, as discussed in more detail in section 5.6.7.1, pay-per-click was perceived as an important strategy for start-ups, who used pay-per-click to generate immediate sales:

"Pay-per-click is the only way to get customers in the initial stages." (General merchandise, £2-£10 million turnover)

"When we set up we invested a lot of money in paid search, which gets you customers but doesn't make a lot of money compared to the spend." (Fashion, £2-£10 million turnover)

5.5.3.5 Larger businesses tended to use paid search on a more routine basis (e.g. whenever they had a new product to promote). Even known (offline) brand names used paid search tactically (to highlight key products at key times, for example):

"There are tightly controlled budgets around keywords. It's controlled around times of day and the length of time it runs for. You input key parameters and budgets and let it run itself. We constantly fine tweak it. You can see which keywords are eating up more budget and attribute more money to them, and you can see which keywords aren't working so well and drop them." (Financial services, £10-£49 million turnover)

5.5.3.6 However, even these larger businesses (with turnovers of more than £10 million) described paid search as expensive:

"You can't be pulled into a bidding war unless you have big budgets." (Financial services, £10-£49 million turnover)

"You can't restrict your spend with pay-per-click because you will restrict your returns. You have to put in to get out. You might as well not bother doing it if you're not going to seriously invest." (Clothing, £10-£49 million turnover)

5.5.4 How did businesses go about acquiring customers via paid search?

5.5.4.1 Most used web-based tools to help them identify relevant search terms and keywords and how much they would cost:

"I use Google AdWords to look up relevant terms that are low competition but rank highly." (Leisure services, under £500k turnover)

"The keywords we need to bid for are very popular which makes them very expensive. We researched all the options and chose the ones that had the best value for bidding." (Software, under £500k turnover)

The reported cost of bidding on keywords ranged from between £3 to £20 per click.

5.5.4.2 In addition to analytics, some also used the expertise of their in-house team to identify relevant search terms and keywords:

"We use Google Analytics to see which keywords and phrases are most searched for, but we use our team to come up with ideas and words and phrases to test as well." (Automotive, over £50 million turnover)

"We ask staff opinion on the product we're trying to promote and what they would type into Google to find this product." (Fashion, £10-£49 million turnover)

5.5.5 How did businesses judge the success of their paid search strategy?

5.5.5.1 Typically, respondents felt that it was much easier to determine a precise return on investment from paid search activity compared with SEO, as described in section 5.4.7.1:

"Pay-per-click is a lot more performance-driven than SEO. It's all about the click through and conversion rates. Because you're paying for the service, there is a lot more data available that you can review and optimise and select terms that are performing well. One term might have a smaller number of people searching for it, but it might have a much higher conversation rate. This data isn't available for SEO and organic traffic." (Home and Garden, £10-£49 million turnover)

"If customers come through on paid search we can see their whole journey." (Food and Drink, £500k - £2 million turnover)

5.5.5.2 Most used bought-in data analytics to measure the results that their paid search activity had achieved:

"You get a report saying how much you've spent and how many times it's been clicked on and how many translated into sales. You then decide whether it's worth continuing to invest in the pay-per-click." (Fashion, £2-£10 million turnover)

"We monitor how many people click the ad and then how many of these clicks convert to sales. We then analyse and tweak ads to see which words are more effective and get higher click-through rates." (Automotive, over £50 million turnover)

5.5.5.3 However, for longer customer journeys (for example, where the purchase of a service is a long time after the initial click through), respondents explained that it was more difficult to determine whether click-throughs converted to purchases:

"You can monitor how many people click through and how effective the paid search is at getting people to your site, but it's difficult to see how these click throughs convert as purchases and then an increase in business." (Financial services, £10-£49 million)

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5.6 **What are the most common barriers to entry and expansion in online markets for businesses?**

5.6.1 **Barriers to entry and expansion can be an important aspect of competition, and the CMA will often be interested in how easy it is for new businesses to enter a specific market.** Easy entry into a market is likely to help healthy competition develop in a market to the benefit of consumers.

5.6.2 **For this purpose, the CMA explicitly takes into account entry in its merger assessment.[8]** The CMA is especially interested in timely, likely and sufficient entry into a market, which provides a reasonable likelihood that the new entrant will be able to constrain the pricing practices of the incumbents.

5.6.3 **It is sometimes claimed that it should be very easy to enter a market as an online-only retailer, because the costs of setting up a website are usually assumed to be relatively low.** In order to develop a deeper understanding of whether other barriers to entry and expansion exist in online markets we have asked online businesses to share with us the costs and steps they would have to undertake when setting up from scratch.

5.6.4 **In particular, we were interested in:**

- Business set-up costs (e.g. developing a website, building the product assortment, setting up IT infrastructure, etc.);
- Customer acquisition costs (marketing costs needed to gain visibility among a potential customer base on online platforms, with a focus on search engines);
- Strategic and operational challenges encountered when setting up a new online business.

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[8] For more details on how the CMA assesses entry in merger cases, see the CMA's Merger Assessment Guidelines.

5.6.5   What were the main set-up costs?

5.6.5.1 The main costs involved in setting up an online business were perceived to include: (for those selling goods) buying and storing stock (a cost which depended on the type of goods to be sold), as well as equipment and premises; (for those selling services) buying equipment and premises; and (for all) initial website development (which was estimated to cost between £5,000 and £20,000).

5.6.5.2 Those reliant on sourcing suppliers (as opposed to manufacturing products or delivering their own services) felt that this could be more challenging for newer entrants:

"Brands are starting to choose their online suppliers and may not choose to supply with you. They don't need to have their products on every website online so they can pick." (General merchandise, £2-£10 million turnover)

"I think the main difficulty would be getting relationships with providers." (Financial services, £10-£49 million turnover)

5.6.5.3 Overall, developing the 'front-end' of a website was not felt to be particularly problematic; it was the 'back-end' that was perceived as critical to success:

"It's not so much the design of the website, it's the engine behind it." (Financial services, £10-£49 million turnover)

"It's the marketing technology, the tools to monitor SEO and pay-per-click, as well as website content management systems, and email database managements systems." (Financial services, £10-£49 million turnover)

"You don't need 'all singing, all dancing' functionality, it can be basic; but you need to be able to integrate all your systems – accounts and CRM [customer relationship

management] and ERP [enterprise resource planning]." (Clothing, £500k-£2 million turnover)

"The technology is the biggest cost – the payment provider that your customers use to checkout, investing in servers and security to make sure customer data is secure." (Software, under £500k turnover)

5.6.6 What were the main customer acquisition costs?

5.6.6.1 Setting up a website and the infrastructure needed to run an online business is, however, only part of the story. Online businesses also need to drive visitors to their website.

5.6.6.2 Given the large number of websites available on the Internet, consumers often use search tools (the most popular of which are search engines) on the Internet to look for websites that might satisfy their needs.

5.6.6.3 It is therefore important for online companies to appear among the search results when consumers search for keywords related to their business. Also, since consumers focus mostly on links at the top of search results, it is important for online companies to appear as close as possible to the top.

5.6.6.4 This might require significant investments in developing SEO capabilities or in advertising through paid search. Therefore, we have asked online companies to describe to us whether marketing costs to gain visibility online could be significant for a newly set-up online business.

5.6.6.5 Respondents from across the sample emphasised the importance of investing in digital marketing activity (SEO and paid search). Overall, marketing costs were perceived to be a significant (and ongoing) cost, which respondents estimated could amount to between £500 and £1,500 per month for a start-up. This contrasts with

the cost of website management systems which, it was estimated, could start at £150 a month:

"The biggest cost is the marketing cost. If you wholesale, you can even do it without stock and your only cost is marketing, which is huge." (General merchandise, £2-£10 million turnover)

"Website design could cost £5,000-£7,000. Pay-per-click could cost approximately £2,000 in the first 3 months." (Consumer electronics, under £500k turnover)

"In terms of costs for SEO and paid search I'd imagine that would be about £15,000 - £20,000 a year." (Food and drink, £10-£49 million turnover)

5.6.7 The importance of paid search and SEO for new businesses

5.6.7.1 Established businesses felt that pay-per-click was critical for new businesses to gain immediate visibility online:

"It's imperative to have online presence, so pay-per-click is a must when starting up." (Consumer electronics, under £500k turnover)

"Paid search is more important in the early days than SEO because that gets you quick wins where SEO will take too long." (Fashion, £2-£10 million turnover)

5.6.7.2 It was reported that if a pay-per-click strategy was successful, costs could be recouped relatively swiftly:

"The first thing I did was a Google Ad campaign, which got my first customers. Google Ad had an offer – 'spend £25 and receive £75 of free ads' – which was very helpful … This generated the enquiries we needed to get the business going and to cover future costs of pay-per-click. Early on we had one customer through a Google

Ad who placed a £2,000 order and paid upfront. This meant we could re-invest in
pay-per-click." (Engineering, under £500k turnover)

5.6.7.3 New entrants confirmed that pay-per-click was an important part of their initial
digital marketing strategy:

"We have another big event coming up and we'll create another sub-website and
we'll use pay-per-click and paid ads on Facebook." (Leisure services, under £500k
turnover)

The reported level of investment required varied, from £3 per click in less
competitive sectors to £20 per click in more competitive sectors.

5.6.7.4 That said, any established businesses felt that it was *equally* important for any new
online business to start their SEO activity from set-up stage. Although pay-per-click
was perceived to be a way of generating immediate sales, more established
businesses felt that newer entrants should not overlook the importance of starting
the process of acquiring customers in the longer-term:

"In this sector, I'd say get your SEO sorted first. You have to get your brand
organically prominent on Google. Your first marketing strategy should be based
around SEO." (Clothing, £10-£49 million turnover)

"If you started SEO properly from the beginning, 6 years ago, you'd have 6 years of
SEO backing and organic connections working for you." (General merchandise, £2-
£10 million turnover)

"You have to be prepared to spend a significant amount of money on SEO. Maybe
£10,000 over the first 6 months." (Home and Garden, over £50 million turnover)

5.6.8   Challenges of setting up an online business

5.6.8.1 The main challenges of setting up an online business were felt to include: a lack of working capital, and a lack of in-house digital marketing support (and therefore reliance on outsourced digital marketing support).

5.6.8.2 More established businesses were felt to have an advantage over new entrants in several ways including: having existing relationships with suppliers, and having web content that had been optimised for a longer length of time (which meant that Google was more likely to pick up keywords from their websites when ranking webpages). The effect of paid search activity was also felt to put new entrants at a disadvantage. Respondents explained how paid search adverts were now at the top of the page, limiting the space for organic rankings.

5.6.8.3 Having working capital to invest in digital marketing activity was perceived to be an advantage for established businesses. It was estimated that new businesses would take between 2 and 3 years to achieve working capital to invest:

"With an established business, you have the profit and capital behind you to invest and spend on tools to gain visibility." (Consumer electronics, less than £500k turnover)

"When we had no budget, we had to focus on building relationships, being tech savvy and finding our way around things and to keep up." (General merchandise, £2-£10 million turnover)

5.6.8.4 Those turning over more than £2 million had been able to employ in-house digital marketing personnel. Once again, this was also felt to be an advantage for larger businesses:

"We didn't have the expertise in house, so for the first 2 years we relied on a local web agency to work on our SEO. As time went on we hired someone who specialised in digital marketing." (Home and Garden, £10-£49 million turnover)

"In an ideal world, you would always have an in-house team, but as a start-up this might not be possible." (Home and Garden, £2-£10 million turnover)

5.6.8.5 As discussed in section 5.4.7.3, a small group of respondents (all selling durable goods and all with a turnover of less than £2 million) felt that finding professional support with SEO was a genuine difficulty:

"It's difficult to find the right marketing company that will be honest with you and use your money correctly. As long as there are signs over the first year that there is progress and an increase in sales, then you know it's working. When you're new, some agencies might take advantage. SEO work is difficult to regulate and quantify." (Clothing, £500k – £2 million turnover)

"With SEO, it's difficult to know what an agency you've outsourced to is doing and how successful it's being and how much work they are actually doing for what you are paying them." (Home and Garden, £2-£10 million turnover)

5.6.8.6 Respondents reported that more established businesses were perceived to have an advantage over newer businesses because their web content has been optimised for a longer period of time. As a result, Google was more likely to pick up keywords from their websites when ranking webpages:

"How long you've been online and the size of your brand name affects SEO. So brands will always rank higher if they've been in existence longer." (General merchandise, £2-£10 million turnover)

"Even if you spend a lot of money to link other sites to you, as a new user it's difficult to get rankings. These only happen over time. You won't get rich quick." (Financial services, £10-£49 million turnover)

"The main advantage is a history of online presence that's built up by organic SEO. This can only be achieved with time. As a new company, you can't buy organic SEO." (Leisure services, £500k-£2 million)

"Google favours businesses who have been around a long time and have a long history of traffic so you rank higher, which means people find you more often than the new start-ups." (Travel, £10-£49 million)

5.6.8.7 The length of time it would take new entrants to be displayed among the top organic research results for keywords relevant to their market was felt to depend on several factors, including: whether they naturally ranked highly (as discussed in section 5.3.3.1), the success of their SEO activity, and the effect of their pay-per-click activity (which could get businesses to the top of the search rankings).

5.6.8.8 Rankings were clearly harder to achieve for new entrants operating in sectors where there were high levels of competition for relevant keywords:

"When we started out-sourcing SEO we were ranking around 400 on Google. After a few months, we were ranking around 200." (Software, under £500k turnover)

"We don't rank high on Google for 5k runs because there are just so many of them." (Leisure services, under £500k turnover)

Although some accepted that it would take time for their rankings to improve via an ongoing SEO process, others had decided to look for other ways of acquiring customers (e.g. paid search), or optimising alternative keywords:

"A lot of our competitors are in Scotland and Wales, so we try to focus on keywords that highlight the local area. People may choose us over a competitor because we're local." (Engineering, under £500k turnover)

"Our blogs are written by professionals so we use their names to help SEO." (Leisure services, under £500k turnover)

5.6.8.9 A very small number of respondents felt that new entrants also faced more of a challenge achieving rankings via SEO activity due to the increased prominence of paid search results in search engines' result pages. This group explained that the first page of Google was now headed by paid search results, leaving less room for SEO-generated rankings:

"Google are making it harder to compete for the top spots because of Google AdWords. With ten results to a page and the top three spots sponsored and paid for, it leaves only seven spots on the rest of the page and three websites who may have made page one are now on page two." (Fashion, £2-10 million turnover)

"I think the way we are Google ranked will change and there will be a lot more fluctuation; it will depend on how much you are prepared to pay. I think it will maintain a very unfair market for entrants; incumbents with assets will have a monopoly over the whole market." (Health supplies, £500k-£2 million turnover)

One new entrant described how paid search rankings made it more difficult to compete for rankings with SEO alone:

"We knew we couldn't compete for the top of the first page of Google with just SEO, so we invested in Google Ads." (Software, under £500k turnover)

One very established business confirmed that this was the approach they now adopted:

"We target areas of high competition which we can't compete with on SEO terms, so you have to buy the traffic instead." (Travel, £10-£49 million)

Another respondent emphasised the importance of both SEO and paid search in terms of improving and maintaining search engine rankings:

"If we had the top SEO but our ads disappeared, we would lose rankings. The guidelines Google sets out controls everything and you do need all of it." (Clothing, £500k-£2 million turnover)

5.6.8.10 Another advantage of having been established for some length of time was identifying as having existing relationships with suppliers (as discussed in section 5.6.5.2):

"The benefits of being an established business is that brands actually want to be on your platform and want to sell their brand." (Fashion, £2-£10 million turnover)

5.6.9   The CMA is often not merely interested in whether businesses can set up and enter the market, but also in whether they can expand and gain a foothold in the market to exert a competitive constraint on incumbents.[9]

5.6.10 Online markets are traditionally assumed to be easy to expand into, but the need to invest significantly in marketing and to upgrade fulfilment capabilities may pose barriers to expansion for certain online businesses.

5.6.11 The existing literature provides little information on whether new businesses can expand successfully in online markets. Therefore, we have asked businesses what, if any, challenges they would face.

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[9] For more details of the CMA's assessment of barriers to entry in merger cases, see the CMA's Merger Assessment Guidelines.

5.6.12 In many ways, barriers to expansion were perceived to be very similar to the barriers to entry. Established businesses felt that the key barrier was the capital they would require to invest in increasing their visibility and improving systems to support increased demand.

5.6.13 Many felt that investing more money in digital marketing, particularly pay-per-click, was the way to increase demand:

"Putting more money into pay-per-click. It does generate more business and it's easy to track and to make sure that your investment is working." (Home and Garden, £10-£49 million)

"I think first you would need to set aside a large amount of money for paid search. You'd want to invest in paid search to generate more sales and raise the profile." (Health Supplies, £500-£2 million turnover)

5.6.14 Respondents pointed out that if they were to create more demand they would need to be able to fulfil that demand, which would involve investment in web design, stock and delivery:

"Throwing £1 million at Google Ads will definitely hugely increase your business; but make sure your website and stock levels can support this extra business." (Fashion, £10-£49 million turnover)

"You'd need the capital to buy more stock, upgrade the website and invest in SEO." (Fashion, £500k-£2 million turnover)

5.6.15 To expand, respondents also felt that they would need to invest in increasingly sophisticated data analytics to help them target their digital marketing spend effectively:

"You would need to look at bigger and more advanced technology that would allow you to data crunch quicker and react quicker. It's all about how quickly you can analyse and respond to the Internet and what's happening." *(Financial services, £10-£49 million turnover)*

5.7   What new technological developments may affect the way in which businesses compete for business online in future?

How consumers search online, and hence how companies compete in markets characterised by online search, is essentially dependent on the available search technology. As online search is a highly innovative area, we can expect consumer and firm behaviour to adjust to the most recent developments in online search. Therefore, we asked respondents about which technological developments in online search they think will affect the way they compete online in the future.

5.7.1   The technological developments respondents felt would affect the way in which they competed for business online in future included:

- The growth of mobile technology
- Introduction of voice recognition
- More video content
- Changing payment technology
- Increased use of social media for customer acquisition

5.7.2   Many businesses from across the sample, selling goods and services, and of different ages, sizes and from different sectors, felt that it was crucial that websites were 'mobile-friendly'. Several reported that mobile sales were between 40%-80% of their total sales:

"80% now is mobile and iPad. It's definitely flipped in the last year." (Food and Drink, £500k - £2 million turnover)

5.7.2.1 There were exceptions, though: those selling business-to-business did not feel that they needed to worry so much about mobile purchasing because they felt that business customers were more likely to search for and purchase products and services via their desktops.

5.7.2.2 Many had invested in making their websites 'mobile-friendly' already:

"'Mobile-friendly' has been a big thing this year. We've spent a lot of time improving our mobile site which has really boosted sales." (Clothing, £500k-£2 million turnover)

"Our site is fully responsive to mobile technology. Most of our sales are through mobile purchases." (General merchandise, £2-£10 million turnover)

5.7.2.3 It was also reported that one of the criteria Google considers when ranking webpages is whether the site is 'mobile-friendly'. This was another factor driving businesses to optimise their websites for mobile:

"Google penalise your ranking heavily if you're not running efficiently on mobile." (Clothing, £500k-£2 million turnover)

"Not being 'mobile-friendly' negatively affects your Google rankings." (Home and Garden, £10-£49 million)

5.7.2.4 Amongst those who had already worked on making their websites 'mobile-friendly', there was an awareness that consumer behaviour was different when searching on mobile compared with searching on desktop:

"It does affect paid search and SEO because the words and phrases and number of characters people use to search on their phones are different to PC. Activity on mobiles is more concise." (Home and Garden, £2-£10 million turnover)

"On mobile I think you buy a lot quicker, so we're re-targeting our adverts, putting our brand in their head all the time." (Food and Drink, £500k - £2 million turnover)

"People will scroll even less. You need to be in the top three or four of search engines." (Safety supplies, £2-£10 million turnover)

5.7.2.5 Those who had already worked on making their websites 'mobile-friendly' were also aware that the way in which content needed to be optimised for mobile use was different from the way content needed to be optimised for desktop use:

"It changes how you write content. You can't have masses of text because mobile screens are smaller." (Automotive, over £50 million turnover)

5.7.2.6 This group also expressed their view that customers were likely to be more demanding in terms of download speeds on mobile than on desktop:

"The expectations of speed of download and quick access will only increase." (Safety supplies, £2-£10 million turnover)

"People have 3G or 4G on their phones so people expect speed." (General merchandise, £2-£10 million turnover)

5.7.3 Some of the larger businesses in the sample (with a turnover of over £10 million) felt that the use of voice recognition was likely to increase, although they had not made plans to introduce this type of technology yet:

"Voice interaction will only increase and we will need to adapt to those interactions and amend our marketing strategy and online platforms." (Financial services, £10-£49 million turnover)

5.7.4   **An increase in video content was also felt to be likely. This was a development that some businesses had already started working on, particularly those working in the fashion sector:**

"It's about making collaborations with interesting companies. For example, we've just created a video with a leisure company to be cool, to appeal to the generations using the Internet and technology." (Fashion, £10-£49 million turnover)

"It's interactive video ads next. Customers can click on icons within the video which are automatically added to your shopping basket." (Automotive, over £50 million turnover)

5.7.5   **Changing payment technology was mentioned by respondents from a mix of businesses selling goods and services and of different ages, sizes and from different sectors.** The main way in which respondents envisaged payment methods changing was security processes (e.g. thumb print authorisation), although one respondent mentioned whether currency might change (e.g. Bitcoin):

"Check out and payment methods might develop, like thumb print payments or scanning debit cards on your phone." (Clothing, £500k-£2 million turnover)

5.7.6   **One important development in search in recent years has been the introduction of personalised search results.** This is important because, when search results are potentially different for every user, this is likely to affect how companies think about their SEO and paid search strategies and thus how firms compete online.[10] Also, in the online realm, companies are increasingly able to personalise other aspects of the

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[10] For more details on search personalisation, see the literature review on online search.

online shopping experience, for instance prices[11], potentially affecting how online competition works. Therefore, we decided to ask respondents how the tendency towards personalisation is affecting, or is likely to affect in the future, the strategies they employ to compete online.

5.7.6.1 There was a general awareness of the trend towards increasing search personalisation, although a small group of businesses (selling goods and services, and of different ages, sizes and from different sectors) identified personalisation as an opportunity:

"Searches will become more specific to the customer, which has already started to happen. It will affect how we target our audience and will help us to be more effective with SEO and be precise in our advertising." (Music, over £50 million turnover)

"Search personalisation will be beneficial to us because we try to make our product as relevant as possible to the customer and what they're searching for." (Automotive, over £50 million turnover)

5.7.6.2 The data generated by more personalised searches was perceived as offering additional marketing opportunities for online businesses:

"The more data and information you have about people and what they are looking for, the better. It allows you to build campaigns and target what customers are looking for and show them other products that they might be interested in." (Financial services, £2-£10 million turnover)

"It will affect our marketing strategies. We already cross and link-sell on our website based on customer searches." (Home and Garden, £10-£49 million turnover)

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[11] For more details on this, please see the Office of Fair Trading (OFT)'s 2013 report on personalised pricing.

5.7.6.3 As discussed in section 5.2.5.2, a small group felt that in future, social media would be a way of offering more personalised advertising by targeting customers in more precise ways:

"Facebook uses personalised search very well. You have to be involved in it." (Fashion, £10-£49 million turnover)

"We focus heavily on Facebook advertising. Facebook makes it easy to target particular demographics which is only possible because of search personalisation." (Leisure services, less than £500k turnover)

5.7.7 **Respondents were divided over the potential of apps.** It was the largest businesses in the sample (with a turnover of over £50 million) that were currently in the process of developing apps, although a very small number of smaller businesses (with a turnover of £2-£10 million) reported that they were exploring the idea:

"The younger generation will expect there to be an app available. We're developing one at the moment. It's a lengthy and expensive process." (Automotive, over £50 million turnover)

5.7.7.1 Those who were developing apps agreed that it was an expensive development process. Respondents estimated that the development of an app (excluding ongoing management costs) could cost between £20,000-£70,000:

"We looked into developing an app but it was very expensive so we've decided to wait and see. I think the developers are milking the market at the moment. The costs outweigh what it would bring to the business." (Consumer electronics, £2-£10 million turnover)

5.7.7.2 Many businesses from across the sample, selling goods and services, and of different ages, sizes and from different sectors, found it difficult to see how an app would improve sales:

"I don't think an app would increase turnover. It's just as quick to order online from the site as it would be from an app." (Clothing, £500k-£2 million turnover)

"I don't think customers purchase from us regularly enough to want to download an app." (Consumer electronics, under £500k turnover)

"I don't think it's for us. Apps only tend to be successful for certain kinds of businesses or exceptionally big brands such as Amazon or Asos. I'd rather invest in a better mobile interface." (General merchandise, £2-£10 million turnover)

6. CONCLUSIONS

6.1 The main factors which respondents felt were key for acquiring and retaining customers were: website user-friendliness (i.e. making it easy for customers to find what they want and make a purchase), and presenting an appropriate brand image.

6.2 Breadth of product of was also considered important: larger businesses wanted to provide a breadth of range; smaller, more specialist businesses wanted to provide a breadth of product within their particular niche.

6.3 After-sales service was also considered important: larger businesses wanted to meet customer expectations of a swift delivery process; smaller, more specialist, businesses used after-sales service as a way of differentiating themselves by offering a more personalised service.

6.4 Overall, respondents felt that they prioritised the same factors for acquiring and retaining customers. However, some businesses (selling goods and services, of a range of sizes, ages and sectors) felt that they made a particular effort to drive repeat purchases via email marketing, since this was perceived to be an efficient way of generating sales.

6.5 Being visible on search engines was considered imperative, particularly for those that were not (offline) brand names (typically with a turnover of less than £50 million), those operating in competitive online markets (e.g. fashion, consumer electronics), those operating in sectors that were almost entirely online, and new entrants.

6.6 There were some businesses who felt that they did not need to be as active as others in trying to improve their search ranking. Some smaller businesses (with a turnover of less than £2 million and operating in niche sectors with fewer competitors) naturally found themselves higher up the organic search results. The

biggest businesses in the sample (with a turnover of more than £50 million) were also less concerned about the need to be at the top of search rankings, due to being well known (offline) brands.

6.7   The main channels that online businesses used to drive visits to their websites were:

- SEO and paid search: perceived as complementary ways of acquiring customers.
- Social media: largely used for brand building.
- Email marketing campaigns: used to drive repeat purchases from existing customers.
- Affiliate marketing and blogging (but to a much lesser extent).
- A very small number also used offline marketing activities (e.g. leaflets, trade fairs, direct mail) to complement online marketing activities.

6.8   SEO and paid search were perceived as complementary approaches: SEO was generally perceived as a longer-term acquisition tool; paid search was generally perceived as a shorter-term acquisition tool. Businesses tended to implement a series of shorter paid search campaigns alongside an ongoing SEO strategy.

6.9   A very small number of respondents selling durable goods (with a turnover of less than £2 million) were using SEO but not paid search, largely because they were satisfied with the amount of custom generated by SEO and/or due to the perceived expense of paid search.

6.10   Nearly every respondent felt that SEO was an important part of their digital marketing strategy. SEO was perceived as a strategy for making businesses or products visible to customers via organic search and was therefore perceived as more self-sustaining than paid search (where the results stopped when the investment stopped).

6.11 **Commonly, respondents felt that SEO success was being one of the top 5 entries on Google.** Another way of evaluating success was monitoring the increase in web traffic. Newer entrants had more modest aspirations, wanting to improve their rankings over time.

6.12 **A very small number of respondents from sectors reliant on search engine rankings felt that they would be moving away from SEO and towards paid search and social media as acquisition channels.** This decision was driven by not wanting to be vulnerable to the effect of changing Google policies on search rankings, as well as the ability to target customer groups with social media advertising. Paid search also enabled businesses to jump to the top of the search rankings.

6.13 **A small group of businesses (selling goods and services, of different sizes, ages and sectors) voiced their frustration about the perceived difficulty of being able to work out a precise return on investment for SEO activity.** Another small group (all selling durable products and with a turnover of less than £10 million) felt that it was difficult to assess the quality of SEO consultants in terms of whether the work they were doing was providing a return on investment.

6.14 **Paid search was used tactically, e.g. to promote a new product or service.** Larger businesses tended to use paid search on a more routine basis. For smaller businesses with a turnover of less than £2 million, paid search was perceived as a much shorter-term strategy for acquiring customers, due to perceived expense.

6.15 **Despite perceived expense, paid search was perceived as particularly important for start-ups, who needed to use paid search to generate immediate sales.**
Respondents explained that if paid search campaigns were successful, costs could be recouped relatively swiftly through increased sales.

6.16 **Typically, respondents felt that it was much easier to determine a precise return on investment from paid search activity (compared with SEO).** They used bought-

in data analytics to measure the results that their paid search activity had achieved.

6.17   **The main supply-side costs involved in setting up an online business were identified as:** (for those selling goods) buying and storing stock as well as equipment and premises; (for those selling services) buying equipment and premises. Those reliant on sourcing suppliers (as opposed to products), e.g. in the fashion sector, felt that this could be more challenging for newer entrants.

6.18   **Overall, marketing costs (estimated at between £500-£1,500 a month for a start-up) were perceived to be a significant (and ongoing) cost.** This contrasts with the costs of website management systems which respondents reported could start at £150 a month).

6.19   **The challenges of setting up an online business were felt to include: a lack of working capital, and a lack of in-house digital marketing support.** A small group of respondents (all selling durable goods with a turnover of less than £10 million) felt that finding professional SEO support could be a genuine difficulty, particularly in terms of assessing whether work by SEO consultants was improving rankings.

6.20   **Respondents reported that more established businesses had an advantage over newer businesses in terms of having working capital and in-house marketing support, but also because their web content had been optimised for a longer period of time.** As a result, they reported that Google was more likely to pick up keywords from their websites when ranking webpages.

6.21   **The length of time it would take new entrants to be displayed among the top organic search results for keywords relevant to their market was felt to depend on several factors,** including: whether they naturally ranked highly, the success of their SEO and pay-per-click activity, and the level of competition for the same keywords within their sector.

6.22 Rankings were harder to achieve for new entrants operating in competitive sectors. To address this issue, new entrants looked for other ways to acquire customers, e.g. via paid search.

6.23 A number of respondents (who had experience of changes in Google policy affecting their search engine rankings) felt that changes to the way in which Google ranks search terms were also a potential barrier for new entrants. In addition, a very small number of respondents also felt that SEO was more challenging for new entrants, since the top rankings were now taken by paid search entries.

6.24 In many ways, the barriers to expansion were perceived to be very similar to the barriers to entry. Established businesses felt that the key barrier was building the capital they would require to invest in increasing their visibility and subsequently improving systems to support increased demand.

6.25 The technological developments which respondents felt would affect the way they competed for business online in future included: the growth of mobile search, the introduction of voice recognition, more video content, changing payment technology, and increasing use of social media as an acquisition tool.

6.26 Those who had already worked on making their websites 'mobile-friendly' felt that consumer behaviour was different when searching on mobile, e.g. fewer search terms used and less scrolling.

6.27 There was a general awareness of the trend towards increasing search personalisation, although a smaller group of businesses (selling goods and services, and of different ages, sizes and from different sectors) identified personalisation as an opportunity to target customers in more precise ways.

6.28 Respondents were divided over the potential of apps. It was the largest businesses in the sample (with a turnover of over £50 million) that were currently in the process of developing apps, although a very small number of smaller businesses (with a turnover of £2-£10 million) reported that they were exploring the idea. Those developing or thinking about developing apps agreed that it was an expensive development process, with costs estimated at between £20,000 and £70,000.

APPENDIX A – recruitment approach and materials

Two recruitment strategies were adopted: 'list-based' recruitment and 'free find' recruitment.

The list-based recruitment was based on a curated list of online businesses. Lists can be purchased 'off-the-shelf' or 'curated' (which means compiled from a number of different sources). On this occasion, the list needed to be curated in order to ensure that it included:

- a range of different sizes of online business (by turnover);
- good representation of different industry sectors;
- good regional representation.

An invitation to participate in the research was sent via email (appendix Ai) including a letter from the CMA. Once respondents indicated they were interested in participating, the screening questionnaire (appendix Aii) was administered by telephone. The telephone conversation was followed up with another email, confirming the details of the research interview.

The 'free-find' recruitment was conducted by Market Research Society[12] trained recruiters, who used the screening questionnaire (appendix Aii) to identify respondents who satisfied the criteria to be included in the sample.

Our overall strategy for engaging respondents with the research was:

- The project was 'framed' as an important piece of research being conducted on behalf of the CMA;
- Senior personnel were offered an honorarium, in the form of charitable donation.

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[12] https://www.mrs.org.uk/

APPENDIX Ai

Re : Competition & Markets Authority research into Online Markets

Dear _____

Please find attached a letter from the Competition and Markets Authority about some important research they are currently conducting into **online markets**, specifically to enhance their understanding of how competition works in the online environment and its implications for their work.

As a key operator in the online world, we would be very grateful if you would agree to participate in an interview; the interview will be conducted by one of our executive researchers and will take about 40 – 45 minutes of your time at your convenience. The findings are all confidential and anonymous. As a thank you, we are happy to make a charity donation of £60 to a charity of your choice.

If you are happy to help, please reply to this email or contact us here at Research Works on 01727 893159 to set up a convenient time to talk,

Thanks very much in advance

Jill Barnett/Annelize Fagan

Project Co-ordinators

Research Works Ltd

APPENDIX Aii CMA ONLINE SEARCH – PILOT RECRUITMENT QUESTIONNAIRE (FINAL)

RECRUITER READ OUT:

Good morning/afternoon evening, my name is _____, from Research Works Limited, an independent market research agency.

We are conducting a survey on behalf of the Competition and Markets Authority[13] about how businesses compete online.

INTERVIEWER*: PLEASE REFER RESPONDENTS TO THE LETTER FROM THE CMA EXPLAINING THE PURPOSE OF THE RESEARCH.*

We need to interview the people best placed to discuss the strategic initiatives of the company in relation to its online operations. Could I ask you a few questions about your company please?

SECTION 1: GENERAL QUESTIONS ABOUT THE COMPANY

Q.1   Does your company sell goods and/or services online?

Yes   1   *Continue – ask Q2*

No   2   **Close**

ALL RESPONDENTS MUST CODE 1

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[13] The CMA *"work to promote competition for the benefit of consumers, both within and outside the UK. Our aim is to make markets work well for consumers, businesses and the economy." IF NECESSARY: "The Competition and Markets Authority was formed from the merger of the Office of Fair Trading and the Competition Commission in April 2014"*

Q.2a Does your company currently generate a least 50% of its revenue directly or indirectly from orders placed on your website or elsewhere online (e.g. on marketplaces like Amazon or eBay)?

Yes	1	*Continue – ask Q3*
No	2	*Continue – ask Q2b*

Q.2b Does your company generate annual revenues from online sales **in the UK** which are at least £5 million?

Yes	1	*Continue – ask Q4*
No	2	**Thank and close**

ALL RESPONDENTS MUST CODE 1 ON Q.2a OR Q.2b, OR BOTH

Q.3 In which of the following geographical markets does your organisation sell goods and/or services online? (Multicode)

UK	1	See instruction
Europe	2	See instruction
Asia	3	See instruction
North America	4	See instruction
Latin America and the Caribbean	5	See instruction
Oceania	6	See instruction

ALL RESPONDENTS MUST INCLUDE CODE 1 IN THEIR ANSWER

IF CODE 1 IS NOT INCLUDED – THANK AND CLOSE

IF CODE 1 IS INCLUDED - ASK Q.4

Q.4   What was approximately your organisation's total net revenue in the 2016 financial year?

Less than £500,000	1	Record and enter in quota
£500,000-£2,000,000	2	Record and enter in quota
£2,000,000-£10,000,000	3	Record and enter in quota
More than £10,000,000	4	Record and enter in quota
More than £50,000,000	5	Record and enter in quota

CONTINUE TO QUESTION 5

Q.5a   Does your business supply goods or services?

Goods	1
Services	2
Mix of both	3

Q.5b   What types of goods and/or services do you provide to consumers? (Write in)

_____

Interviewer, please note whether the goods the business supplies are:				
Homogeneous	☐	**or**	**differentiated**	☐
Durable	☐	**or**	**non-durable**	☐
Simple	☐	**or**	**complex**[14]	☐

---

[14] **Simple services**: Services that are relatively simple for consumers to compare and make decisions on. Simple services will tend to have one or two key variables of interest that consumers care about and not require specialised knowledge or a long time to compare. Examples:

- Taxis;

Q.6a   In which business sector is your organisation primarily active? (Singlecode)

9	Consultancy/marketing services	1	Record
10	Retail	2	*Ask Q.6b*
11	Financial services	3	Record
12	Travel	4	Record
13	IT and software	5	Record
14	Media or publishing	6	Record
15	Education	7	Record
16	Gaming	8	Record
17	Property/real estate	9	Record
18	Automotive	0	Record
19	Pharmaceuticals	V	Record
20	Other (write in) _____	X	Record

- Sartorial services / shoe repairs;
- Other repair services for PCs, cars, bicycles, consumer electronics and appliances;
- Tickets for entertainment services like fairs, events, clubs;
- General cleaning services;
- Shipping, transportation and storage services;
- Translation services.

Complex services: Services that have multiple attributes and therefore are more difficult for consumers to compare. These services may require specialised knowledge or a significant amount of time to be properly evaluated by a potential consumer. It would be unlikely that a consumer would purchase a complex service without prior knowledge after only one website search. Examples include:

- Data hosting and data processing services;
- Article writing and blogging services;
- Graphic designing, photography, retouching and related services;
- Real estate services;
- Travel and Holiday services;
- Educational and professional training services;
- Data analytics, market research, digital marketing services;
- Financial investment consulting, tax and accountancy consulting services.

Q.6b   Are there any other business sectors in which your organisation is active?

(Multicode)

21	Consultancy/marketing services	1	Record
22	Retail	2	*Ask Q.6c*
23	Financial services	3	Record
24	Travel	4	Record
25	IT and software	5	Record
26	Media or publishing	6	Record
27	Education	7	Record
28	Gaming	8	Record
29	Property/real estate	9	Record
30	Automotive	0	Record
31	Pharmaceuticals	V	Record
32	Other (write in) _____	X	Record

ASK THOSE OPERATING IN RETAIL ONLY

Q.6c   In which area of retail is your organisation primarily active? (Singlecode)

33	Clothing	1	Record
34	Sports	2	Record
35	Beauty	3	Record
36	Jewellery	4	Record
37	Consumer electronics	5	Record
38	General merchandise	6	Record
39	Home and Garden	7	Record
40	Classified advertisements	8	Record
41	Coupons	9	Record
42	Other (write in) _____	X	Record

Q.6d   Are there any other areas of retail in which your organisation is active? (Multicode)

43	Clothing	1	Record
44	Sports	2	Record
45	Beauty	3	Record
46	Jewellery	4	Record
47	Consumer electronics	5	Record
48	General merchandise	6	Record
49	Home and Garden	7	Record
50	Classified advertisements	8	Record
51	Coupons	9	Record
52	Other (write in) _____	X	Record

Q.7   Who is the most appropriate person to speak to regarding *the strategic initiatives of the company in relation to its online operations?*

_____

SECTION 2: SPECIFIC QUESTIONS FOR THE PERSON RESPONSIBLE FOR THE STRATEGIC INITIATIVES OF THE COMPANY REGARDING ONLINE ACTIVITY

Q.8   Have you ever taken part in a market research depth interview or group   discussion before?

Yes	1	*Go to Q9*
No	2	*Go to Q11*

Q.9   When did you last take part?

Within 6 months	1	**Close**
Longer than 6 months ago	2	*Go to Q10*

Q.10   What was the subject/s of the research? (Write in)

_____

CLOSE IF ANY OF THE SUBJECT/S WERE RELATED TO ONLINE COMPETITION

IF NOT, CONTINUE TO Q.11

Q.11   We need to exclude people in certain trades and professions. Could you please tell me if you or any of your close friends or family work in one of the following areas:

Market Research	1	**Close**
Journalism	2	**Close**

RECRUITER: IF IN DOUBT, PLEASE CHECK WITH THE OFFICE

IF NOT, CONTINUE TO Q.12

Q.12   How long has your business been selling your goods / services directly online?

53 Less than 2 years   1   Record and enter in quota

54 2-5 years   2   Record

55 6-10 years   3   Record

56 More than 10 years   4   Record

PLEASE SEE QUOTA – A MAXIMUM OF 12 BUSINESSES TO CODE 1

Q.13   Has your business employed Paid Search or Search Engine Optimisation as a way of driving customers to your website?

INTERVIEWER: IF CLARIFICATIONS ARE NEEDED, PLEASE PROVIDE THE FOLLOWING DEFINITIONS:

"SEARCH ENGINE OPTIMISATION" REFERS TO THE PRACTICE OF OPTIMISING THE COMPANY'S WEBSITE SO THAT IT RANKS AMONG THE TOP SEARCH RESULTS WHEN INTERNET USERS SEARCH FOR SPECIFIC KEYWORDS ON SEARCH ENGINES

"PAID SEARCH" REFERS TO THE PRACTICE BY WHICH COMPANIES DISPLAY ADVERTISEMENTS ON A SEARCH ENGINE'S RESULT PAGES WHEN SPECIFIC KEYWORDS ARE SEARCHED BY INTERNET USERS

Yes – Paid Search   1

Yes – Search Engine Optimisation   2

Yes – Both   3

No – neither of the above   4

RECORD FOR INFORMATION PURPOSES

Thank respondent and invite to take part in a depth interview.

NAME OF RESPONDENT: _____

ADDRESS: _____

_____

_____

TELEPHONE NO: _____

INTERVIEWERS DECLARATION:

I certify that I have carried out this interview according to instructions received from Research Works Limited and confirm that they are in line with the rules and regulations set out by the MRS and the respondent is not a relative/friend of mine.

I have also informed the respondent of the Data Protection Act and the MRS Code of Conduct.

INTERVIEWER'S SIGNATURE: _____

DATE: _____

APPENDIX B – CMA ONLINE SEARCH – TOPIC GUIDE (DRAFT 7)

1. **Introduction and background information**

− Introduce self and **Research Works Limited**, an independent market research agency

− We will be discussing how their business competes online.

− The research is being conducted on behalf of the **Competition and Markets Authority**[15]

− Explain **confidentiality** (DPA and MRS code of conduct) and ask permission to record the interview

2. **Background**

− Can you give us a quick overview of your business?

Prompts: history of the business, products and services offered, unique selling points

− What is your role in the business?

− Who is involved in supporting the businesses' online marketing activities? *Probe: who is in the team? What, if anything, is outsourced?*

3. **Strategic purpose behind operating online**

− Why are you operating online? *(Moderator, ensure that respondent answers)*

   o *Probe: how this fits in with other aspects of the business*

− What does the business sell online?

− How long the business has been generating revenue online?

4. **What are the most important ways of driving visits to your website?**

− How they you developed your marketing approach or strategies in order to acquire customers?

− *Probe on the relative importance for the business of different digital marketing channels: e.g. social media, marketplaces such as Amazon or eBay, organic and paid search, display advertising, price comparison websites, etc (Moderator: if the respondent*

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[15] The CMA *"work to promote competition for the benefit of consumers, both within and outside the UK. Our aim is to make markets work well for consumers, businesses and the economy."* IF NECESSARY: *"The Competition and Markets Authority was formed from the merger of the Office of Fair Trading and the Competition Commission in April 2014"*

mentions pay-per-click, please enquire what type of pay-per-click they are referring to: paid search? Banner ads? Etc.)

When topic arises, probe: (PRIORITY)

– How important is being visible on search engines for your business? Do you rely heavily on search engines to drive visits to your website? Why so? Is it typical within your sector or is this a strategic choice of yours?

– Do you expect your reliance on search engines to increase / decrease / stay constant over the near future (3-5 years)? Why so?

> **If respondent answers search is at least somewhat important:**
>
> - How important is Search Engine Optimisation (SEO)[16] for your business?
>
>   **If important,** please could you explain your approach or strategies to SEO?
>
>   *Moderator, probe at a level of detail:*
>
> - *How did you decide which were the most relevant search terms and keywords?*
>
> - *Do you track on a regular basis their ranking on specific keywords? What ranking do you consider satisfactory and why?*
>
> - *Do you check their competitors' rankings?*
>
> - *How do they measure and define success in relation to your SEO approach?*
>
>   **If not important, why not? When might SEO become more important, if ever?**
>
> – How important is Paid Search[17] for your business?
>
> – If important, please could you tell me about your approach or strategies to Paid Search?
>
>   *Moderator, probe at a level of detail:*
>
> – *How do you choose the keywords to bid on?*
>
> – *Do you perceive Paid Search as a substitute or as a complement to SEO, and why?*
>
> – *How do you measure and define success in relation to your Paid Search approach?*
>
> – **If not important, why not? When might Paid Search become more important, if ever?**

5. **Key factors for customers in your sectors (PRIORITY)**

– What are the most important factors to make customers purchase online in your sector, and why? *Probe: do these factors differ for new and returning customers? If so, how? (Moderator: note down key factors and rank)[18]*

   o Breadth of product selection

---

[16] "Search engine optimisation" refers to the practice of optimising the company's website so that it ranks among the top search results when Internet users search for specific keywords on search engines.

[17] "Paid search" refers to the practice by which companies display advertisements on a search engine's result pages when specific keywords are searched by Internet users.

[18] Analysis point: are these factors customers really care about, or are they ways in which businesses are trying to differentiate themselves?

- Price

- After-sale services (including delivery)

- Advantageous terms and conditions for the customer

- Brand image

- User-friendliness of web interface

- Reviews and content description

- Other (specify)

6. **What are your main approaches or strategies for making sales to customers who visit your website?**

   Probe: what is role of reputation, advertising, marketing? What do you see as most successful avenues/ channels / tools?

   Probe: what is most important for your business, acquiring new customers or making old customers return? Why? Do you have separate approaches for new and returning customers?

7. **What other types of businesses do you compete against in your sector? How do you compete on the factors identified above at question 5?**

   Probe: on whether the business competes mainly with other online-only businesses or if they face competition from offline as well

   Probe: ask about how the respondent reacts to competitors' moves. Do they check regularly their competitors' offers and prices? And how do they react to this information?

   Probe: how do they try to distinguish themselves from their competitors?

8. **Business set-up and expansion**

   Moderator, please explain to the respondent that in this section we aim to understand what it takes to set up an online business in their sector, and what are the main steps and costs involved

- **For respondents who have set up within the past 2 years:** What were the **main steps and costs** involved in setting up your business? (Spontaneous) **(PRIORITY)**

- *Probe: please give an indication of which are the major costs, how much they are and when respondent expects these costs to be recouped*

- **For respondents who have been operating online for more than 2 years:** What would be the **main steps and costs** involved in setting up your business if you had to start-up your business again from scratch? (Spontaneous) **(PRIORITY)**[19]
- *Probe: please be precise about which are the major costs, how much they are and when respondent expects these costs to be recouped*

As the respondent replies, try to prompt them on what role SEO and Paid Search played for them in their initial stages, to understand whether not being prominent in online search may be a significant impediment to early business development in their sector

- Which (if any) of these steps and costs were specific to you, and which would be shared by anyone operating within your sector?
- What, if any, are the benefits of being a larger, more established company in your sector (compared to a new entrant)? Could you make some examples?

- **Ask all**
- **Imagine**[20] that you wanted to profitably expand your business significantly: which difficulties would you need to overcome?
  Probe: which of these difficulties are specific to your business and which are shared across your sector? What obstacles could act as a barrier?
- How could you overcome these obstacles/ difficulties*?*

9. The future
- What new technological developments may affect the way in which you compete for business online in future? (Spontaneous)
  Prompt: what are the main uncertainties you face in the future?

---

[19] *Analysis point: which barriers are supply side (e.g. setting up distribution channels, setting up IT infrastructures, etc.) and which are demand side (how difficult was it to gain visibility among the customer base?)*
[20] Moderator NB: if respondent does not want to expand their business, ask them to hypothesize.

- *Prompt: What is likely to be the impact of search personalisation on SEO / Paid Search?*
  - *Does the fact that search results may be increasingly personalised affect your approach for acquiring customers through search? If so, how?*

- *Prompt: What is likely to be the impact of mobile technology on SEO / Paid Search?*
  - *Does the rise of mobile technology make search a more or less important channel to acquire customers? Why?*
  - *How does it affect the clicks you receive from your links on search engines?*
  - *What impact does it have on your paid search and SEO approaches?*
  - *Does the rise in the usage of mobile apps change the way companies are competing for mobile customers' attention? Is it important in your sector that customers are able to access you through an app, and why? If so, do you have / are you planning to develop one? If so, can you walk us through what are the steps and costs involved?*