

Search Engine Marketing (SEM) – A White Paper

"Search advertising is at once starkly simple, bafflingly complex and highly effective." Rick Bruner, Director of Research, DoubleClick Corp.



Summary

The subject of Search Engine Marketing (= SEM) can be subdivided into two main categories.

The first is called Pay-Per-Click (= PPC) marketing. Google and Yahoo and the other major search engines make their money by attracting many eyeballs to their sites for the purpose of searching the internet for information. In simplistic terms, they sell advertising space on their pages (usually down the right hand side of their search result pages under the heading 'Sponsored Links') for ads which are intended to be relevant to the information being sought out. Section one of this white paper outlines how they do it and what it might mean to you.

The second branch of SEM is Search Engine Optimization (= SEO) which is the science of structuring your website's programming code in such a way as to gain the highest possible listings on search engine results pages. Of course these positions cannot be bought by paying the search engines, as is the case with PPC (well, partly!).

1. Pay-Per-Click (PPC) Management – In overly simplistic terms, the search engines allow merchants to 'bid' for position of their ads in the 'Sponsored Links' listings on their search results pages. Is it effective? Well, consider this – Google's market capitalization now exceeds GE's and virtually their only revenue stream is PPC advertising. If PPC advertising did not work, how would this be possible? You the merchant only pay the bid price when someone clicks on one of your ads – no clicks, no charge! Sounds simple doesn't it? Not so fast!

1.1. Search Term Bidding – A 'search term' or 'keyword' is any word or phrase that a visitor to the search engine might type in to seek out information on the internet. Any advertiser on the search engines can bid upon almost any keyword and generally speaking [see the next sub-section], the higher the bid, the higher the placement the ad will win. These bids can and often do change by the hour.

1.2. Quality Score – The major search engines do not determine your ad's placement entirely by the highest bids. Other factors come into play to determine what is called the 'quality score' which does determine the ad's placement ranking - but the precise formula determining these scores is a closely guarded business secret of the search engines.

The ratio of the number of times the ad is displayed (known as 'impressions') versus the number of clicks generated is known as the 'click thru rate' or CTR. What is known is that second only to the bid, a high CTR is probably the major factor in determining the quality score.

A hypothetical example is that if the highest bid for a given keyword was say \$5 and in a given month that ad generated just 10 clicks, the revenue to the search engine would be \$5 x 10 = \$50. The second highest bid might be say \$3 but if it was a better ad and thus generated say 30 clicks per month, the revenue to the search

engine would be $\$3 \times 30 = \90 and thus would probably get the highest ad placement! In the real world several other factors come into play, so this example should be seen as merely an overly simplified illustration.

1.3. **Decisions, Decisions!** – In the major search engines PPC ads usually appear on the right hand side of the search results page but once again, it's not quite that simple – what did you expect?! In planning your PPC campaign you will need to make a number of decisions in addition to your keywords and their bids. Michael Round Associates (= MRA) can help make the entire process relatively easy and painless.

1.3.1. *Budget* – A budget for your daily ad spend has to be set. This is entirely within your control and can be changed at any time. There are no on-going contracts and the whole thing can be shutdown almost at a moment's notice – and remember, no clicks = no charges!

1.3.2. *Negative Keywords* – You can specify keywords that you do NOT want to trigger the display of your ads. For example, if you are running a digital photography website, you might not want to pay for clicks on keyword phrases including the word 'film' and thus that word would be a negative keyword.

1.3.3. *Keyword Matching* – For each keyword a decision has to be made as to whether the relevant ad is to be shown (the proper word is 'served') against a precise match to the keyword or just a 'broad' match. For instance if the searcher types in 'wigdets' instead of 'widgets' and the ad is still served, that would be a 'broad' match.

1.3.4. *Geographical Coverage* - An advertiser might only want their ad served to search engine users located within say a 100 mile radius of their home base. There is not much point in a Richmond, VA chiropractor's ads being served to a Google searcher in Anchorage, Alaska!

1.3.5. *Positional Bidding* - You might always want your ad to be ranked not lower than say 4th on the first page. Or perhaps you might want your ad to always appear above your main competitor's ad.

1.3.6. *Which Networks?* – Most PPC ads are served on the search engines, but the major search engine ads can also be seen all over the Internet on third party commercial sites. This is called the 'Content Network' and you can order your ads to be served on either the Search Network or the Content Network or both. On the Content Network you can stipulate which websites you want to use to serve your ads – and also say which ones you don't! For instance our digital camera seller would probably be delighted to have his ads served on the 'Digital Photographer' magazine's website – but probably not on 'Horse Fancier Weekly's' website!

1.4. **Problem Size** – There is always an overall PPC budget to manage and not exceed. Even a small business could easily have 400 search terms, especially when you factor in plurals (e.g. 'widget' and 'widgets'). There are at least three major search engines, so that means that there could easily be 1,200 bids to manage - round the clock. Imagine managing all this manually 24/7/365!

Each of those bids always has a maximum bid amount to be set and monitored and adjusted according to the current market circumstances. The dynamic nature of those circumstances should not be underestimated. For example an ad intended to stimulate a call to a commercial call center that closes at say 7pm might drastically drop its bid at 7pm and raise it again on the next morning – every day, twice a day on 1,200 search terms. That is 2,400 decisions to make and implement every day – and that’s just on the Search Networks. If you are on the Content Networks too, the problem doubles again!

On a more infrequent but on-going basis, the performance of all the keywords and ads in a particular PPC campaign need to be monitored and adjusted to ensure the very best bang for your PPC bucks.

- 1.5. **Problem Solutions** - These issues comprise a formidable management problem which really only has three possible solutions. Managers can ignore it and thus almost inevitably cause significant over-bidding for their keywords, bad choices of keywords and inferior ad ranking. Or they can attempt to manage their bids and search terms manually using the tools the search engines provide - but keep in mind that they hardly have the motivation to help you reduce your advertising costs, do they? Additionally this manual approach can consume an impossibly large amount of time to do it even remotely properly.

The best solution is to call upon the specialized expertise and resources like MRA’s. They have the experience and can defray the cost of the software tools that are available to manage all these matters in a concerted and organized manner according to your objectives and criteria. We can provide comprehensive reporting and analysis enabling management to keep a proper grip on the performance of their ad dollars – and we can do all this to free you to do what you do best.

Moreover, we perform these PPC management services on a simple ‘pay for results’ basis. The only static fee is a small monthly software fee – our PPC management fee structure is directly linked to how efficiently we generate click-thrus to your website. It’s the ultimate in assurance that we will get results for you because our fee income is precisely aligned with boosting your on-line sales!

- 1.6. **Results, Results!** – OK, we have described the basic concepts of PPC marketing, the issues involved and how MRA can solve them for you, freeing you to do what you do best – run your business. But the bottom line must always be ‘What can PPC do for your business?’ The answer is it delivers qualified leads in the early stages of the buying cycle to your website. Anyone clicking on your PPC ad and thus going to your website, is by definition someone who has a demonstrable interest in what you are offering - and remember, your ad costs you nothing if they don’t click on it!

Compare that to spending your ad dollars in say MRA’s regional newspaper, the Washington Post. On a good day their circulation is around 700,000 copies. If you pay to run an ad in the Washington Post, you are hoping that enough people needing your product on that particular day will notice your ad amongst all the other editorial and ad clutter, actually read that ad and then contact you. If all these coincidences don’t fall perfectly into place enough times to at least cover the cost of your ad,

you're out of pocket hundreds, maybe thousands of dollars. It's a 'blindfolded scattershot' approach – with about as much chance of hitting the bulls-eye!

Contrast this with day-in, day-out PPC runs your ads and costs you nothing until interested potential customers are actually perusing your website! Is it any wonder that newspaper advertising is plummeting? PPC is also winning a lot of business from Yellow Pages and if you want to know why, ask yourself when you last used your Yellow Pages (do you even know where it is?) to find a business – we rest our case!

2. **Search Engine Optimization (SEO)** – It is a statistical fact that if your website does not appear in the first two pages of the search engine results listings, it has practically zero chance of being found by the searcher. SEO is the science – some call it a 'black art' - of structuring your website's programming code in such way as to gain the highest possible listings on search engine results pages.

MRA can oversee the performance of website programming resources whose function it is to provide these SEO functions. One word of caution on this subject – there are many, many charlatans out there offering guarantees of #1 placement for your website on the major search engines. Nobody can truthfully promise that and anyone who does so, should be shown the door immediately!

3. **Website Analytics** – A commercial website usually represents a significant investment and thus its performance ought to be monitored and evaluated on a recurring basis. This section discusses how this can be done down to an extraordinarily granular level.

Only a few years ago getting this kind of data involved the use of extraordinarily costly software - these days it can be had for nothing! The most popular source is probably 'Google Analytics' which has the capability to enable management to track where searchers come from, what they look at, where they go to, what choices they make, how long they linger and whether they actually make a purchase (called a 'conversion') and all kinds of other useful data – welcome to the 21st century! In certain circumstances this data can be immensely valuable in improving marketing strategies and website design and performance.

This document sets out to be merely an overview of the exciting opportunities in Search Engine Marketing. Michael Round Associates would be pleased to make a more comprehensive presentation of these issues and solutions that we bring to the table. Call us for an appointment and let us show you how you can cost-effectively market your business to the world on no-performance/no-fee basis – so what do you have to lose? Call us on (703) 689-4545 or e-mail us at Response@MichaelRound.net.