

# Pay-Per-Click Marketing

The Basics



## Pay Per Click Marketing: The Basics

### Contents

#### Section

So... What *is* Pay per Click, Anyway?

Why You Should be Using Pay Per Click:

- Pay for result

- Trackability/ROI

- Granular control

- Reach

- Ease of setup

Some Considerations for Successful PPC Use:

- Search engine selection

- Keyword/phrase selection

- Segmenting users

- Positioning (ranking) strategy

- Creative development/testing

- Landing page development/testing

- Starting up & maintaining the campaign

- Adapting to the major search engines

Don't be an Unguided Missile!

## So... What *is* Pay per Click, Anyway?

In the early days of the Web, you pretty much needed to know where you were going (i.e., your destination's URL) to get anywhere at all useful. If you were lucky, you might happen onto one of the few "portal" sites with links to lots of other sites; and then you could engage in the quaint practice of "surfing", or simply following a chain of links that seemed interesting. If you were trying to do serious research, this was akin to going to a library prior to the development of the Dewey Decimal System; there was some chance that what you needed was in there somewhere, but your odds of finding it were fairly remote. (Truth be told, there also wasn't much chance that what you needed was even "in there"; there just wasn't yet that much content of value on the Web in those days.)

As the Web matured and vast amounts of content began to be deployed on it, the need for a means of efficiently searching through all that content became obvious to a number of companies, including Altavista, Lycos, Yahoo, Excite and Hotbot. Collectively, they pioneered the search engine industry; later, they were joined by "second-generation" providers such as Google and AskJeeves.

Early on, all of these firms made the fundamental decision to charge not the searchers, but rather those – primarily commercial companies – wishing to be found: i.e., they would be supported by advertising revenue. Initially, this took the form of submission fees paid by the web site owner and banner ads similar to those on the portal sites, virtually unrelated to the particular search being conducted. But the innovation that put the search-engine industry into the financial big leagues was the pay per click ad, first offered by GoTo.com (which became Overture, until its recent acquisition by Yahoo) in 1998. Last year, paid search accounted for some \$5.5 billion in worldwide revenues.

Under the pay per click model, the advertiser indicates willingness to pay for the display of a priority or "sponsored" listing in response to a user's search on a particular set of keywords, simply by establishing a "bid" price with the search engine on those keywords. A user launching a search using those keywords will see the advertiser's listing displayed in premium real estate: highlighted at either the top or right-hand side of the search-results page, regardless of where the site would normally land by "organic" or natural means. If the user *actually clicks on the sponsored ad* (thereby hitting the advertiser's website), *then and only then* does the advertiser pay for that instance of running the ad. That charge can not exceed the advertiser's maximum bid price ...and may actually be substantially less.

## Why You Should be Using Pay Per Click

OK, it's a valid question: *should* you be using pay per click (we'll use PPC hereafter)??

If your company is a B2C, or takes any customer orders online, you probably already are ...for the same reason that most B2Cs have substantial traditional (offline) advertising budgets. You simply can't afford to be relatively invisible in a medium that at least some of your competitors are almost certainly exploiting. No surprise, then, that some of the highest keyword bid rates – and some of the most skilled PPC specialists! – are to be found in the B2C or e-commerce arenas.

But B2B companies also have many reasons to at least experiment with PPC and determine what it can do for them. Let's look at some of them...

**Pay for result.** One of the most compelling features of PPC – perhaps even more to CEOs than to marketers! – is the notion of paying only for leads that actually come to your web site. This is “narrowcasting” on steroids! You don't pay to show your ad to everyone watching the Super Bowl at 9:03 pm, or everyone who picked up the January issue of Networks Unlimited. Instead, your ad is seen by only those with some interest in your product or service (as evidenced by keyword match); and you pay for only the subset of those viewers who actually clicked on your ad.

What would you pay your direct-mail vendor per bingo card returned, if that was *all* you paid for? Probably you would use the vehicle quite a bit more, and be a bit less fanatical about list selection/cleansing (although odds are your vendor would be correspondingly more so!). Most likely, the per-card rate that you wouldn't mind paying makes today's online per-click rates look like the bargain they still are.

**Trackability ...aka, clear & objective ROI:** Because PPC is all-electronic, everything that happens is explicitly measurable. The kind of measurement that you'd love to do with your offline programs – but probably don't because of the difficulty and the extent of “hand-waving” involved – is completely trivial with PPC, and requires no hand-waving whatsoever. A click-through to your landing page comes about only in response to a specific keyword/phrase and ad, and all such events are captured and available for raw inspection or summary analysis.



So, assuming that you can assign a “downstream” expected value to a captured lead, then the ROI of your PPC campaign is always definitive, and can be measured on whatever frequency you prefer. This fact, coupled with the degree of control provided, also enables you to run “split” experiments easily (between different ad versions, keyword phrases, etc.), and act on the results within hours or days. No need to wait for the mail-out/read/process/mail-back cycle to unfold, or for the January issue of Networks Unlimited to come out. It’s like the difference life scientists get from running genetic experiments on *E. Coli* bacteria rather than on large mammals: there are so many more generations per unit of time that the effect of the agent being tested becomes apparent far sooner.

**Incredibly granular control/flexibility:** With PPC, you can control...

- ❖ your chosen keywords/phrases
- ❖ your bid price for those keywords (and consequently your spot in the rank-ordered PPC listings)
- ❖ your ad text
- ❖ the offer your ad presents to the searcher
- ❖ the contents of your landing page

Since you have all these levers, it only makes sense to vary them systematically, experimenting until you achieve an acceptable ROI across your entire campaign ...and it may vary from campaign to campaign. Play around with your keywords; the ones that “obviously” *should* work are not always the ones that *do* work. Adjust your bid pricing; you might well find that you get a higher ROI by aiming for something lower than the top spot in the ranked listings. Fiddle with your ad text; as with all advertising, nuances matter in ways that are often difficult, if not impossible, to pre-determine. And of course, different offers are likely to have differential attractiveness and hence conversion rates. Just remember to change only one thing at a time (“controlled experimentation”), so that you can be certain of what caused the observed change in outcome.

With some search engines, it’s also possible to limit your ad’s exposure to selected regions of cyberspace; you can target certain countries, specify the searcher’s natural language(s) ...even vary your investment level over time to adapt to any seasonality in your business.

Given this degree of control, the only way to lose your shirt with PPC advertising is to float an ad at a relatively high bid price and then ignore it ...in which case you really have only yourself to blame. (After all, inattention to metrics and fine-tuning can kill your offline campaigns, too ...just more slowly.) But with a bit of judicious attention to the controls provided, you should be able to make PPC pay its way for you quite nicely.

**Reach:** Most of the more popular search engines “syndicate” their paid-search results to some of the less popular engines. Google, for example, syndicates its results to AOL and Ask.com; Yahoo to AltaVista, InfoSpace, CNN. Hence, even though you may not have considered, say, Ask an engine worth any real SEM attention by your company, you will nonetheless get its loyal searchers anyway by virtue of your PPC campaign on Google.

**Relative ease of setup:** This is a bit of a double-edged sword, since it may tend to encourage that “set-it-&-forget-it” mentality. But the exciting fact is that you can open an account, select and price keywords, post an ad, and literally see visitors starting to hit your site ...all within as little as 10 minutes!

## Some Considerations for Successful PPC Use

**Search engine selection:** Since you can't do everything at once, it makes sense to decide on a priority ordering of the search engines for PPC advertising, so that you get the "most bang for the buck" vehicles rolling the soonest. (ROI – adjusted to include some measure of the staff time needed to maintain a campaign on a given engine – will tell us when to stop, so we don't need to worry about that just now.)

In prioritizing the engines, it's probably not the best idea to simply go by their well-publicized global market shares. There are wide and not readily explained variations in those shares among different segments of the public, and even of the B2B world; so those "average" shares may have no relevance at all to your business. A better way to start is to look at your own web site's log files, determine the relative popularity of the search engines funneling visitors to your site, and follow *that* ordering. A clear benefit of this approach is that whatever you're doing right from an SEO standpoint to cause, say, Yahoo/Overture to be your site's leading engine will only be further leveraged by the planned PPC campaign on that engine.

This provides a rational approach to starting up campaigns sequentially across multiple engines; but that sequence may not correspond precisely to the actual "results" ordering of the engines ...nor is that ordering likely to remain static. No problem; once you have everything rolling, you can manage that by simply shifting ad budget among the various engines based on ROI ...just as you'll do among keywords, ad versions, offers and other variables of your campaign within each engine.

**Keyword/phrase selection:** Despite the relative ease noted above of getting started with PPC, don't let that lull you into a "ready-fire-aim" approach. Without good information, there's no way to develop a sensible strategy; so it's prudent to take some front-end time to understand the landscape you're moving into: the number of bidders and bid amounts for target keywords, and their relative popularity.

The "heavy lifting" of keyphrase generation is best accomplished by brainstorming (which keywords "make sense" for a searcher to use in finding your product/service?), log analysis (what keywords are searchers successfully using to find your site today, via "organic" means?), and using several internet-based tools. Much of what you need can be obtained from tools provided by the search engine itself; other useful tools include third-party sites such as Wordtracker, which can give you click stats for specific keywords and their close relatives. It may seem counter-intuitive (since you're already getting this traffic for \$0), but it can be good to select phrases which rank your site well in organic searches; it reinforces your branding and tends to increase conversion rate. In general, employing *three or more*

*words* in a phrase allows you to target visitors who have a greater degree of intent, often at a much lower cost per click. You can also employ different *match strategies* (the details vary across search engines) to minimize cost per click on even the most broad or general terms.

**Targeting/segmenting users:** Eventually, you will have a small family of ads – with differing keyphrases, match strategies, creative, etc. – around *each* product or service you choose to promote via PPC. Google probably provides the best means of organizing all this, with its 3-level structure of account/campaign/ad group.) For a multi-product company, this does get logistically complex in short order; however, all of the engines provide management tools to ease the task to some degree. It still will require a serious commitment of staff time, as has been noted; but keep in mind that you're working with perhaps the most cost-effective, most flexible and most highly targeted promotional vehicle yet devised.

**Positioning (ranking) strategy:** First, it's probably good to discard the goal of achieving the top-ranked PPC position for your important keywords; in many markets, it's simply too costly and very often just not worth that high cost. Unless ego is driving your positioning strategy, the goal should be ROI; so position becomes simply another variable like everything else. If you can get the same – or even better – conversion rate at a lower position, you're able to lower your cost per click and stretch your ad spend. In some markets, "second-place-by-design" is an excellent strategy: you might well end up paying only a penny more than the 3<sup>rd</sup>-ranked company's \$1 per click, while the #1 company is spending \$10!

Effective position testing should occur over a long enough period of time to determine whether or not there is seasonality or some other dynamic factor(s) at work in your business. If so, you'll probably find that altering your PPC ranking to leverage those dynamics may keep your ROI at your target level throughout the year.

**Creative development/testing:** OK, it's not exactly like developing a full-page, full-color ad, so you might wonder just what's really "creative" about it. You're given one or two measly lines (in addition to your designated click-through URL), typically with stringent length limits stated in *characters*.

What to do? Well, one very good idea is to try to use the search keywords that led to the ad *as part of the ad itself*. This gives the searcher the maximum level of comfort that you have just what she was looking for, that you really speak her language, etc. Also, in the Google world, such evidence of "relevance" will raise your quality score, potentially resulting in an improved position and/or lower cost per click.

Don't be surprised to find that your ads actually affect lead *conversion* as well as just click-thru rates. If you think about it, lead conversion will be most influenced by...

- ❖ the actual offer being made;

- ❖ design of the landing page; and
- ❖ the visitor's predisposition on clicking through

...and that predisposition is almost entirely the product of your ad.

Of course, as soon as you have an ad that seems to work, it's time to sit back and relax, right? No! ...you should immediately try to beat it with some variant of that ad, or a completely new one. In fact, you should forever be trying to beat your current best-performing ad; otherwise, you can't claim that you're truly maximizing your ROI.

**Landing page development/testing:** The main point here is that you shouldn't simply send all of your ad respondents to your homepage and hope that they'll be thrilled to poke around your site. There may be reasons to send visitors to your homepage – for example, for “branding” purposes with visitors that you can tell are in the infancy of their buying process – but in general you'll want to develop a landing page specific to the offer being made, or one that handles all the offers made in your family of PPC ads. This is the place where you do the heavy lifting of capturing your visitor's contact information and fulfilling the offer you made, which was the whole point of running a PPC ad ...so clearly it's worth a bit of thought and design time.

Again, once you have a landing page that works, it's good to test it against potentially improved versions, as with everything else in the PPC chain. This becomes a bit more difficult and costly, since we're now talking about *changes to your web site* vs. simple entries on a search engine's form. It may also mean manually recording the dates that the different page versions ran, since your site probably will only capture the usual stats for “the landing page”, not knowing or caring that the page had totally different content last week than this week. Although the technology exists to have automatic tracking of different versions of specific web site pages, few B2B firms other than the largest e-commerce sites make this investment. But even doing it the old paper & pencil way, it's usually still worth doing to ensure that your landing page is doing its best for ROI.

As with the other campaign elements, you should also test various offers, since it's highly likely that they will have differential conversion rates. Even once you're satisfied that you're running the “best” offer, you'll probably want to “retire” it after 3-6 months; otherwise, serial visitors (and there are more of those than you might think) may get a clear impression of stagnation, which they may attribute to your company and not just your Web marketing.

**Starting up & maintaining the campaign:** The biggest mistake many advertisers make is not setting up their campaigns correctly in the beginning. But – having now done your homework and developed a good plan – you can now develop an *initial* campaign with your selected keywords, bid prices, maximum daily budget, ad creative and landing page(s), as

outlined above. But note the emphasis on *initial* above: you really should envision your campaign as essentially an infinite series of experiments... split tests in which you're always trying to beat your last best-performing ad, offer, keywords, etc. With reliable ROI feedback available in hours or days, fine-tuning a PPC campaign for maximum effectiveness via split-testing becomes more feasible than with any other medium.

**Adapting to the major search engines (Google/Yahoo/MSN):** As your PPC effort increases in scope and complexity, you'll find it advantageous to adapt it to the unique attributes of each of the search engines that your program employs. This will require detailed study and ongoing monitoring. While an in-depth treatment is clearly beyond the scope of this paper, here are at least a few things to keep in mind about the three major engines:

Google AdWords uses click-through rate as well as maximum bid price in deciding how high to rank your ad and/or how often to run it; so if your ad generates no response, it is possible that it may never run again, no matter how much you bid. Further, in keeping with the "relevance" philosophy underlying its organic search results, Google also scores your ad and even your landing page; so (as noted above) it helps to reprise the search keywords in your ad, and to display some relevant content on your landing page ...certainly more than just a download button and a lead-capture form. But Google also gives you a 3-level structure suitable for large-scale advertisers (account, campaign, ad group), along with perhaps the best user interface and campaign management tools.

Like Google, MSN's AdCenter, the newest of the "Big 3", also incorporates relevancy factors into its PPC ad rankings along with bid price. One interesting and unique feature of AdCenter is that it allows advertisers to vary their bids (for the same keywords/phrase) according to the demographic profile of the searcher; so that a leisure-travel broker who believes that older people typically take longer, more expensive vacations might choose to increase his bid along with the age of the searcher.

Yahoo! is the only one of the Big 3 to establish rankings based purely on an open bid-price auction; so at the moment, you're free to simply buy the position you want (or can afford) without worrying about all those other factors. But be aware, it's temporary; the word is out that Yahoo! too will get on the relevancy bandwagon as early as the fourth quarter of 2006.

## Don't be an Unguided Missile...

Pay per click advertising may look easy, but doing it well is deceptively complex; in fact, it's a science all its own. We've tried to present enough of the top-level principles in this paper to enable you to get started on a safe and profitable path; but there are many more guidelines and nuances that you should be knowledgeable about in order to truly optimize a PPC effort of any reasonable scale.

It also takes a significant commitment of staff time to monitor all of the relevant analytics and run the continual split tests needed to keep your program efficient. Underestimating or simply failing to make that commitment can be a recipe for disaster in PPC. Viewed "from above", the mini-ecosystem consisting of your company, its competitors, each important search engine, the searching public and the keywords they choose to employ is *extremely* dynamic. All of the variables are in motion all the time: your competitors modify their strategies, the search engines frequently tweak their rules and algorithms, the terms used to identify your products/services go in & out of vogue. If your firm *isn't* putting in the effort and at least some of your competitors *are*, we can confidently predict that over time your firm's PPC ROI will tend to slide *toward zero*.

Whether for reasons of tapping greater expertise or simply supplementing/offloading your own staff's time (i.e., outsourcing), it's generally a good idea to get expert help. When that time comes for your company, we hope you'll consider eMagine as your PPC advisor. We've done similar work for scores of satisfied clients, and we have consultants on staff who cut their teeth in the B2C/e-commerce world, where PPC is both most critical and most complex.

## **C O N T A C T   U S**

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