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# SAMPLE: Paid Search Marketing (PPC)

## Best Practice Guide

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# Paid Search Marketing (PPC)

Best Practice Guide 2008



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# Introduction – Is This Guide For You?

## Who is this Best Practice Guide Aimed At?

Econsultancy's Best Practice Guides help organisations improve their results from digital marketing through improved planning and execution.

Our guides explain best practice for successfully implementing digital marketing on a large-scale in medium and large organizations, but best practice guidelines also apply for smaller organizations.

The guides are being developed to be the definitive source for best practice on a range of online marketing topics. They are packed with strategic recommendations and practical tips which will help you benchmark and improve on your current approach whether you are a small business with focused campaigns or are responsible for complex, international enterprise search.

Please send feedback and suggestions to [chris@econsultancy.com](mailto:chris@econsultancy.com).

In particular, these reports will help (and are aimed at):

- **Specialists in digital marketing teams** who are actively involved in improving results from online marketing activities.
- **Managers of digital marketing specialists** who control digital marketing.
- **Managers and team members responsible for traditional marketing activities** who want to understand the issues involved with successful planning, implementation and integration of digital marketing activities.
- **Specialists in specific digital marketing activities** such as search engine marketing who need to understand more about integration with other digital marketing activities.

## Key Features of Our Guides:

- **Comprehensive** – covers all aspects needed for success in one place but also referencing other in-depth sources in different portals, forums, blogs and books.
- **Accessible** – content will be chunked to help readers navigate to and assimilate relevant content.
- **In-depth** – Cover topics in sufficient depth to successfully implement suggestions.
- **Practical** – explain how to implement techniques and describe success factors that can be applied straightaway.
- **Improvement focused** – will explain how to revise existing approaches through evaluation of current approach, refining strategy and then implementing an improved approach.
- **Leading edge** – incorporating the latest best-practice advice and regularly updated to stay current with new additions clearly highlighted.

Sample only, please download the full report from:



<http://www.e-consultancy.com/publications/paid-search-marketing-ppc-best-practice-guide/>



# Features of this Guide

We have incorporated a range of features to help make this guide an effective learning tool:

## Key Recommendations.

Guidance on issues for which an organization should review their paid search strategy.

## Tips.

Practical recommendations to improve results.

## Links.

Links to tools, articles and portals found within the body text, footnotes and in the resources section at the end of the guide.






## Paid Search Summary Success Factors Boxes.

Designed for easy reference, these cover all of the 21 major strategies which need to be reviewed to improve your paid search results. These are mainly positive factors which will improve factors, but associated negative factors are also referred to.

Each box often contains several related best practice factors and issues to watch out for. These boxes have been designed to be consulted at a glance to understand best practice without reading all of the detailed commentary.

The Level rating gives a general indication of how advanced the technique. Generally levels 1 to 3 have to be considered by all paid search marketers, but increase in complexity. The actual importance of the factors will vary according for different search engines, markets and audiences.

**Table 1 Example paid search best practice success factor box**

Paid Search Summary	Name of summary	Applies to: Scope: which search engine networks?	Level:
			Advanced strategy
			 5/5
			 4/5
			 3/5
			 2/5
			 1/5
			<b>Fundamental strategy</b>
What is it?	A brief description of the scope of the strategy issue and other factors it relates to		
Example	An example from a real situation		
Best Practice	A series of recommendations, starting with the most important		
What to watch For	Related factors and issues to consider for success		

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# Recent Developments in Paid Search

Paid search marketing is one of the most dynamic areas of marketing and indeed digital marketing as the three main search networks continuously refine their services as they have to provide a better service and experience for advertisers and perhaps more importantly increase their revenue per search.

For readers of previous editions of this guide, here is an update **on the main innovations** as we see them with link to the relevant sections.

**The changes and updates in the 2008 edition of this guide cover these areas:**

## **1. Quality Score.**

- The **Quality Score** has now been embraced by Yahoo! with its new Panama platform (it's known as Quality Index) and the Microsoft adCenter network.

But Google has innovated its Quality Score further and we take an in-depth look at the latest changes and the implications in the section

- Keyword Level Efficiency Controls Including Cost Per Click and Quality Score and **Error! Reference source not found.** where we review the changes and make recommendations on improving landing pages based on content and download speed.

## 2. Navigational searches and brand bidding.

- Some of the biggest changes in paid search have involved how Google deals with **Navigational Searches** which incorporate a brand term.
- Within the last year, Google has also introduced a secondary search box which may lead to brand term leakage or hijacking as competitor ads will be readily shown after an additional within a site (e.g. “*site:www.econsultancy.com*”) search.
- See the section on **Error! Reference source not found.** and **Error! Reference source not found.** for more detail on how to protect and compete on brand terms.

## 3. Content network and placement targeting.

- With the Google Acquisition of DoubleClick and the ceiling on revenue opportunity for Google created by a finite (but growing) number of searches, Google has been actively expanding its capabilities for agencies to buy ad space on its **content network** of third-party sites. It has refined and rebranded its site targeting feature which is now known as **Placement Targeting** and enables AdWords advertisers to choose individual sites or site sections in the Google content network.
- The **Site exclusion** tool enables advertisers to be more selective through removing unwanted sites. You should also checkout the well-hidden **Google Placement tool** which lists specific sites and their traffic volumes within a vertical market category. **Demographic targeting** is now also possible for some sites within the content network and is available within adCenter for Live Search and Yahoo! Search Marketing. We also consider how to approach <sup>5.6</sup> Social Networks with Pay Per Click Options. See section on **Error! Reference source not found.** for details.

## 4. Rich media opportunities.

Placement targeting also incorporates options for video ads which we discuss. Read: **Error! Reference source not found.** We are also seeing the ramifications on paid search of **Universal search** within the natural search listings which seems to be decreasing paid clicks as discussed in How Do I Gain Visibility With The Search Engines?

## 5. Specialised paid search techniques.

We have updated the sections on:

- **Error! Reference source not found.**
- **Error! Reference source not found.**
- **Error! Reference source not found.**
- **Error! Reference source not found.** – MSN was the forerunner here, but this option is

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now available from Yahoo! and Google (for the Google Content Network)



## 6. Click fraud.

- The implications of invalid clicks are worth reviewing since Google estimates that around 10% of clicks on its network are invalid. We provide an update on tools for identifying click fraud (the 'Invalid Click' report) and excluding certain addresses (IP Exclusion). See **Error! Reference source not found.**

## 7. Changes to Google tools.

Google has also made changes to productivity tools within the account intended to make usage more efficient, these include:

- **Google Conversion Optimiser** is a basic bid management tool which provides enables a maximum CPA to be set within campaigns that have a history of at least 200 conversions. This is described in the section on **Error! Reference source not found.**
- **Enhancement to Ad Scheduling** – see **Error! Reference source not found.** including the use of a bid multiplier that can be applied at particular tools.
- **The Google Website Optimizer** is now out of beta (see section, **Error! Reference source not found.**).
- **Clickfraud Detection** – more details have been provided by Google on invalid clicks – see section on **Error! Reference source not found.**

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# Paid Search Marketing – Opportunities and Challenges

Paid search marketing provides an unsurpassed opportunity to advertise to prospects when they are in research or buy-mode. What better point to reach your audience than when they are looking for information by typing a search term to find out more about a product or supplier? Or to buy there and then?

In this section we explain the different types of search engine marketing, opportunities and challenges...

## What Is Paid Search Marketing?

**Paid search marketing** goes under many names: Pay Per Click (PPC), search engine advertising, the sponsored listings, paid for placement and more.

**Google Adwords** (<http://adwords.google.com>)

**Yahoo! Search Marketing** (<http://searchmarketing.yahoo.com>)

**Microsoft adCenter** (<http://adcenter.microsoft.com>, see tips and tools at [http://advertising.microsoft.com/advertising/adcenter\\_addin](http://advertising.microsoft.com/advertising/adcenter_addin))

**MIVA Pay Per Click, Pay Per Call and Pay Per Text** ([www.miva.com](http://www.miva.com))

Paid search marketing means you advertise within the sponsored listings of a search engine or a partner site by paying either each time your ad is clicked (*Pay Per Click*) or less commonly, when your ad is displayed (CPM) or when a phone contact is generated which is 'pay per call' (*notice how the industry is running out of acronyms...?*).

That's why we call it paid search rather than pay per click. It is not necessarily pay per click – there are other options for buying a marketing presence and response. For example, you can buy placements on Google AdSense partner sites on a cost per thousand (CPM) basis and affiliate (CPA) basis models are being trialed.

## The 95 Characters That Changed Advertising History

Google AdWords, the most popular advertising network for paid search marketing provides advertisers with just 95 characters to make an impact. That's 25 for the headline hyperlink, 35 each for the first and second description line and a further 35 characters for the URL, as shown below in *Figure 1*

And that's what this best practice guide to paid search marketing is all about – providing you with the right strategies to deliver relevant ads to your prospects which deliver the right Return on Investment for you.

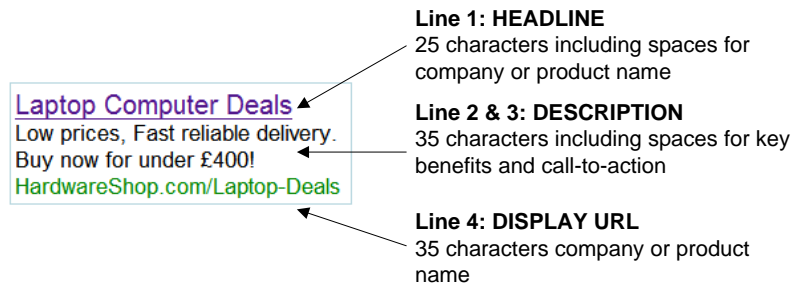
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Figure 1 The creative elements of a Google AdWords ad



Let's take one example of how the details matter in paid search. *Figure 2* shows how **moving the word 'Free'** from the start to the end of the ad headline can make a significant difference to clickthrough rates and potentially, sales.

In this case, we have also **changed the display URL**, although in structured testing only one variable should be tested at a time. In this guide, we will provide lots of recommendations and tips from the strategic to the practical.

**Tip 2**  
Tip 2 Use the ad rotation feature of Google AdWords to trial different ad creatives

Figure 2 Example – the difference one word can make (CTR = Clickthrough rate on ad, CPC = Cost Per Click)



In this guide our guidelines will help you whether you are starting out in paid search marketing or are looking to improve the results from an existing programme. But paid search is only one form of **search engine marketing (SEM)**. To get the best results from SEM requires integrating your paid search activities with **search engine optimization (SEO)**, where you do not pay directly for clicks which are listed freely.

To find out more about SEO you should read this guide with its companion **Best Practice Guide to Search Engine Optimization (SEO)**. We will explain how to integrate PPC and SEO in this guide.

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# Where Are We At?

Search usage is continuing to rise among consumers and professionals, who use search engines like Google and Yahoo to find information about anything and everything from entertainment<sup>1</sup>, news, product or vendor reviews to seeking a soulmate.

Comscore reported in January 2008 that there were over 6.5 billion searches within the US alone<sup>2</sup> and according to their estimates this is only 10% of a world total of 66 billion searches per month<sup>3</sup>.

And paid search has become a major marketing investment in many companies, with Econsultancy reporting<sup>4</sup> that in 2008, 9% of companies surveyed are spending more than £1 million annually on paid search.

The importance of paid search within the search marketing mix is also clear from the Search Engine Marketing Professional Organization (SEMPO), who revealed through a survey of advertisers in the U.S. and Canada that:

- more than \$ 10 billion was spent on paid search in 2007
- 87% of all investment in search spend was on paid search
- 11% was on search engine optimisation
- 0.7% on paid for inclusion.

# So What's the Big Challenge?

Marketers are increasingly investing in search engine marketing as a result of the changes in consumer behaviour indicated by *Table 2*, with billions of dollars spent annually on search engine marketing.

According to SEMPO (Search Engine Marketing Professional Organization (SEMPO), advertisers in the U.S. and Canada spent \$5.75 billion on Search Engine Marketing (SEM) in 2005, a 44 percent increase over 2004 spending.

Meanwhile, Econsultancy expects paid search advertising to surge beyond the £1bn mark in the UK in 2006. We believe that overall search marketing spend will grow by about 65% to £1.41bn, with paid search accounting for £1.26bn of this spend.

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<sup>1</sup> Google Zeitgeist (<http://www.google.com/intl/en/press/zeitgeist.html> and <http://www.google.co.uk/press/zeitgeist.html>) shows that the most popular searches in Google are all about entertainment, but with some consumer brands making the top 10 in some countries. Yahoo! Buzz service shows similar results (<http://buzz.yahoo.com/overall/>).

<sup>2</sup> <http://www.comscore.com/press/release.asp?press=2068>

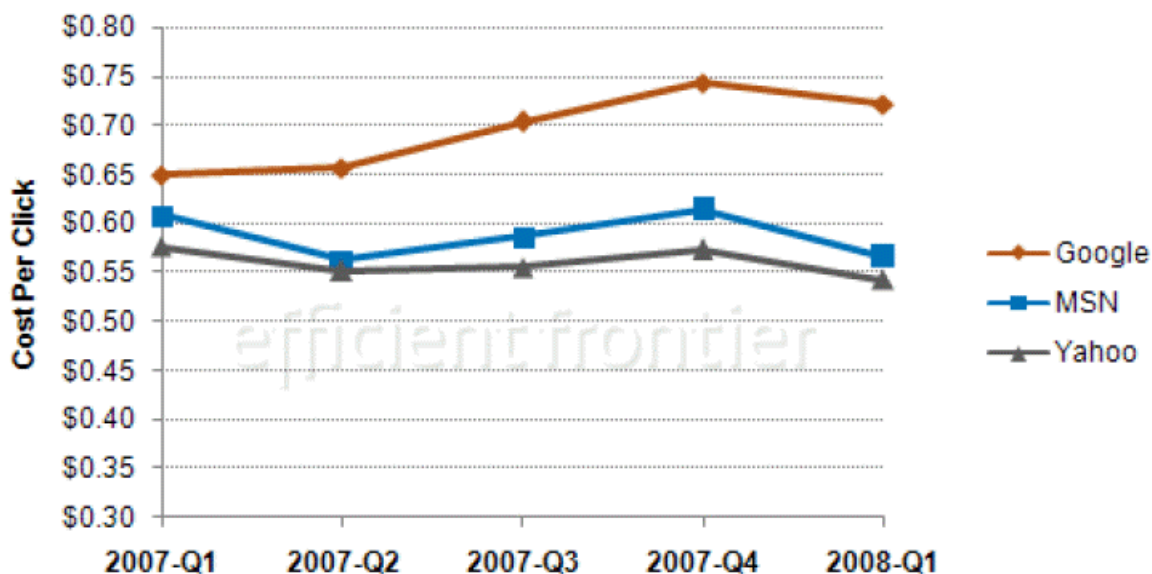
<sup>3</sup> <http://www.comscore.com/press/release.asp?press=2018>

<sup>4</sup> UK Search Engine Marketing Report 2008

<http://www.e-consultancy.com/publications/search-engine-marketing-report-2008>



Figure 1 Trends in Cost-per-click through time..



Source: Efficient Frontier<sup>5</sup>

The bid landscape varies considerably by market and country. Of course, since click prices are auction-based, these will rise until the market stabilizes at a level where target profit levels can be achieved. Unfortunately, with an immature market there may be advertisers who are paying too much simply because they are not tracking sufficiently. Conversions are the key to determining ROI and should be the focus here.

Constant innovations in advertising capabilities from the search engine networks, coupled with increased activity from your competitors, means that you have to identify the right approaches and deploy the right resources to get the best results from paid search.

So with increased competition, if you're not following best practice techniques your ads may slide down the sponsored listings.

## Where Do I Start?

You've already started. We created this guide with its companion **Best Practice Guide to Search Engine Optimization (SEO)** to provide a super-comprehensive, hype-free compilation of best practice in SEM. Digest it in chunks, then act accordingly. And remember to educate agencies and colleagues along the way (no file-sharing though... Econsultancy is watching!).

By reading this guide you can maximise your returns from paid search marketing whether you are just starting out or you need to review an existing paid search marketing programme.

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<http://www.e-consultancy.com/publications/paid-search-marketing-ppc-best-practice-guide/>

<sup>5</sup> <http://blog.efrontier.com/insights/2008/04/search-engine-p.html>



We'll start by introducing the difference between paid search and SEO. We will then introduce the main success factors which will help you get the most from your paid search campaigns before drilling down into the details of each success factor.

## How Do I Gain Visibility With The Search Engines?

The obvious place to gain visibility is with the search engines themselves by gaining favourable listings within the **search engine results page(s) (aka 'SERPs')** shown in *Figure 4*.

But within SEM, there are three main opportunities for organizations to get their message across, to gain visibility and to direct visitors to their sites.

The first two opportunities are via the SERPs and the third is via third-party sites.

### 1. The natural or organic listings.

The part of the pages listing results from a search engine query which are displayed in a sequence forming the main part of the page according to relevance of match between the keyword phrase typed into a search engine and a web page according to a ranking algorithm used by the search engine.

The method for achieving placement in this part of the page is called **search engine optimization** (SEO) and is the focus of the [Econsultancy Best Practice Guide to Search Engine Optimization](#)<sup>6</sup>.

Google has recently introduced a strategy popularly known as **Universal Search**. In a nutshell, Universal Search reduces the amount of above-the-fold search results by featuring links to other parts of Google, e.g.: Google News, Google Product Search, Google Maps, Google Scholar and YouTube videos. For searches on a brand name **sitelinks** and a **secondary search box** may be present (See 8.4 ).

### 2. The paid or sponsored listings.

A relevant ad (typically a text ad) with a link to a destination page is displayed when the user of a search engine types in a specific phrase. These are marked as sponsored listings. A fee is charged for every click of each link, with the amount bid for the click the main factor determining its position.

However, the **Quality Score** is increasingly important in Google AdWords and other search programmes which have introduced **quality-based bidding**. This is used to assess relevance of the ad to searchers based on ad clickthrough rate, engagement with the site and an assessment of the relevance of ad and site creative compared to the keyword which is being advertised upon.

## Key Recommendation 3

Build your paid search programme around delivering relevance through targeted ads and landing pages which match searchers needs

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## Google makes this point forcefully when it says:

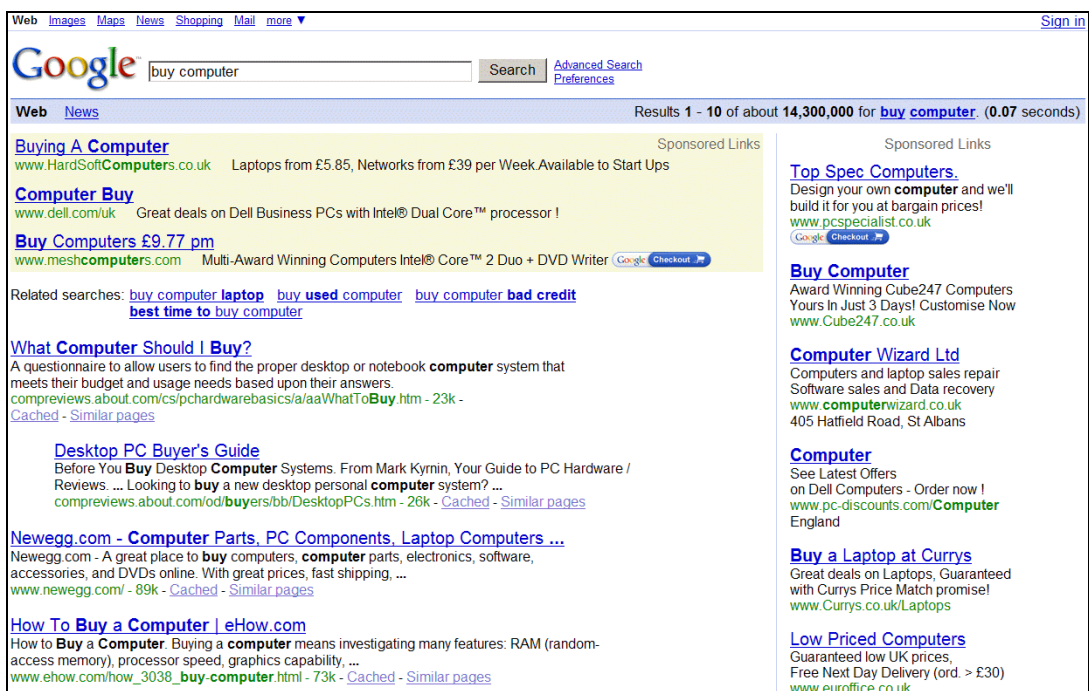
"The AdWords system works best for everybody; advertisers, users, publishers and Google too when the ads we display match our users' needs as closely as possible. We call this idea 'relevance'.

"We measure relevance in a simple way: Typically, the higher an ad's Quality Score, the more relevant it is for the keywords to which it is tied. When your ads are highly relevant, they tend to earn more clicks, move higher in Ad Rank and bring you the most success."

<https://adwords.google.com/support/bin/answer.py?answer=13854&ctx=sibling>

Notice from *Figure 4* that the number of entries in the natural listings (3) is much lower than the paid listings (7). The three companies in the natural listings are online publishers rather than retailers or manufacturers. That's because the content on these pages ranks better than a laptop retailer's landing page. Note that Google doesn't yet make the distinction between customer mindset (do you want to research or do you want to buy?). Consumers looking to buy may be more likely to click on paid ads to begin with.

*Figure 4:* Google search engine results page for keyphrase 'buy computer'



### 3. Content-network listings.

These ads, now described by Google as **site placements** on the Google Network, are displayed on third party publisher sites that are part of the Google AdSense advertising programme, or which display Yahoo or MIVA listings on their website. AdSense listings actually account for a sizeable proportion of Google revenue<sup>7</sup>, but tend to have much lower clickthrough rates.

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7 41% at Q2 2006 <http://investor.google.com/releases/2006Q2.html> with 58% from Google owned sites



## Different Types of Search Engine Marketing

### Search engine optimization (SEO)

SEO is aimed at achieving the highest position practical in the organic listings on the search engine results pages. To do this you need to define a list of keyphrases to work with and then develop relevant content and links to content which refer to these phrases in the document meta data such as page titles, page mark-up and body copy. You also need to ensure that all relevant pages on your site are included within the search engine index and that the site architecture and internal links is appropriate to feature the right pages.

There is **no charge for organic listings** to be displayed, nor when a link to your site is clicked on. However, you may need to pay a SEO firm or consultant to assist with inclusion of your pages within the search engine index, on-page optimization, link-building and the ongoing work often needed to make your website appear higher in the rankings.

### Paid-search marketing

Within paid-search marketing<sup>8</sup> there are two main alternatives plus other less commonly used variations:

#### (a) Paid-search engine advertising (aka Pay Per Click / sponsored listings).

These are highly-relevant text ads with a link to a company page and some ad text, displayed when the user of a search engine types in a specific phrase. These ads are displayed in the sponsored listings part of the SERPs as is shown in *Figure 4*.

As the name suggests, a fee is charged for every click of each link, with the amount bid for the click determining the position.

Google Adwords uses a '**Quality Score**' to assess the quality of an ad which according to Google<sup>9</sup> is based on "*your keyword's clickthrough rate (CTR) [the primary factor which is known to advertisers], relevance of your ad text, historical keyword performance, and other relevancy factors*". Other relevancy factors include the **bounce rate** of the landing page so pages that don't engage well relative to competitors will rate less highly.

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### Tip 3

Strive continuously to improve your Quality Score by updating creative and bidding approaches.

To achieve relevance, Google also applies '**Quality-Based Minimum Bids**'. This means that ads for a keyword will only be 'active' (displayed in response to a search within the search

*8 Note that some marketers and agencies, who are primarily involved in paid-search use 'SEM' to refer to paid-search. Perhaps they seek to present SEO as not marketing, which it most definitely is, but rather a mystical art, which it isn't. In this guide and in keeping with general usage, paid-search and natural search are both part of SEM which refers to all search engine marketing activities.*

*9 Use the Adwords blog to keep up-to-date about how the Quality Score changes:*  
<http://adwords.blogspot.com/2005/12/new-addition-to-quality-score.html>



engines) for ads which are above its quality threshold. Ads marked as inactive may still appear on the content network, of which more shortly.

### **(b) Content-network paid-search advertising**

In the content network (the **Google Network**), sponsored links are displayed by the search engine on a network of third-party sites. These are typically publisher sites such as online newspapers or affiliate marketing sites or blogs<sup>10</sup>. Google's financial results show how important these are, accounting for around one third of all ad revenue. However, many AdWords publishers have found poor ROI from the content network, so it needs to be used with care.

Ads may be paid for on the basis of clicks (this is most common) or on the number of ads served (CPM basis).

Paid-search advertising is more similar to conventional advertising than SEO, since you **pay** to advertise in 'sponsored links' which are in display ad units on third-party sites.

And the less commonly used variations are as follows...

### **(c) Paid for inclusion (PFI)**

Here PPC ads are placed within the search listings of some search engines interspersed with the organic results. In paid inclusion, the advertiser specifies pages with specific URLs for incorporation into the search engine organic listings.

For a fee, this URL is regularly updated and included in the index. There is also a fixed cost per click (CPC). A crucial difference with other PPC types is that the position of the result in the search engine listings is not paid according to price bid, but the normal algorithm rules of that search engine.

The service most commonly used for PFI is Yahoo! Search Submit Express (<http://searchmarketing.yahoo.com/srchsb>, formerly Overture Sitematch) which supplies search engines such as Yahoo! The technique is no longer used by Microsoft adCenter and Ask.

Paid for inclusion is also sometimes known as a **trusted feed**. This is simply an automated method of putting content into a search engine index in a fixed format. It is often used in conjunction with a paid for inclusion programme. It is most commonly used for e-retailers that have hundreds or thousands of pages in a catalogue

While paid for inclusion and trusted feed were hyped several years ago by the search engines themselves and their agencies as an incremental revenue stream, paid search has now shaken out

### **(d) Paid for directory inclusion.**

Here, static ads are placed within a directory such as the Yahoo! Directory or Business.com directory. These are typically static links with an annual fee.

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*10 For an example, see the Ad units marked 'Ads by Google' on the author's site:*  
[www.davechaffey.com](http://www.davechaffey.com)



### (e) Pay Per Call.

With Pay Per Call, payment occurs when the searcher phones a number unique to the ad. Within Google, the service is known as Click-to-Call <sup>11</sup> and a similar service is also available in MIVA. Despite much hyped introductions, the volume of click-to-call is very low with no published results from the search engines. It is likely to currently be sub one percent, but can be expected to increase with the deal between Google and eBay to offer such a service enabled through Google Talk and Skype<sup>12</sup>.

### (f) Pay Per Text.

This service was introduced by Miva in 2005<sup>13</sup>. Here ads are included in mobile text messages in a service known as TXT//AD. As such, it is outside the scope of paid search marketing, so is not considered further in this report.

### (g) Shopping comparison engines.

This is a type of **affiliate marketing** through price or shopping comparison engines or aggregators (a term more usually used in financial services, utilities or travel for sites such as including comparison sites such as Moneysupermarket, Cheapflights, and uSwitch). You can read more on the options for shopping comparison engines in the **Econsultancy Shopping Comparison Buyers Guide**<sup>14</sup>. According to our report, the top 5 comparison engines by unique visitors are Kelkoo, Shopping.com, Froogle, Shopzilla and Pricerunner. Audience reach across all the comparison engines was 56% in the UK showing the importance of these engines within the overall customer journey. Again, shopping comparison engines are outside the scope of this report.

## But surely a minority of people click on the paid search ads?

SEO advocates often point to how relatively few people clicking on the paid search ads. But audience panel research by Comscore (2008)<sup>15</sup> has shown that the paid click rate in Google is around 25% for search results pages with around 50% of searches containing paid ads. Given the huge volume of searches, 25% is a significant amount!

When you look at individual companies investing in a paid search programme, the percentage of visits or sales delivered by Pay Per Click will often exceed that for the natural listings / SEO. This is because of the intense competition within SEO and the difficulty of achieving the top positions, particularly for short, generic phrases.

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<http://www.e-consultancy.com/publications/paid-search-marketing-ppc-best-practice-guide/>

<sup>11</sup> [http://www.google.com/help/faq\\_clicktocall.html](http://www.google.com/help/faq_clicktocall.html)

<sup>12</sup> <http://www.google.com/intl/en/press/pressrel/ebay.html>

<sup>13</sup> [http://www.miva.com/uk/content/advertiser/pay\\_per\\_text.asp](http://www.miva.com/uk/content/advertiser/pay_per_text.asp)

<sup>14</sup> <http://www.e-consultancy.com/publications/shopping-comparison-engines/>

<sup>15</sup>

[http://www.comscore.com/blog/2008/02/why\\_googles\\_surprising\\_paid\\_click\\_data\\_are\\_less\\_surprising.html](http://www.comscore.com/blog/2008/02/why_googles_surprising_paid_click_data_are_less_surprising.html)



## Relative expenditure on SEO and paid-search

Expenditure on paid-search is much higher than that on SEO. Econsultancy estimates that paid-search accounts for about 84% of search marketing spend in the UK. SEMPO estimates that 88% of spend is on paid search in the US<sup>16</sup>.

### Key Recommendation 4

Ensure your paid search budget is sufficient relative to SEO. You may be missing some profitable traffic if your main or sole focus is SEO.

Many organizations adopt a strategy focusing on paid-search since it is more controllable, and immediate results are possible.

There are a number of reasons why you might need to opt for paid-search vs. natural search; charity appeals, for example, where time is of the essence.

Yeah, but smart marketers are increasing investment into organic SEO!

Why? Well, in the long-term, organic listings will deliver a potentially higher volume of visitors at a lower cost per click. Organic clicks are essentially free. There is greater competition in paid-search these days. Click costs have increased in many sectors to a point where there is limited scope for profit. Your ability to generate ROI depends on how well you convert traffic to long-term customers, and paid-search traffic costs money.

That's why we've published this guide – to make you a savvier PPC marketer.

Are you ready?

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<sup>16</sup> [http://www.sempo.org/learning\\_center/research/sempo\\_research](http://www.sempo.org/learning_center/research/sempo_research)



# Introducing Paid Search Success Factors

OK you have read the intro. Now let's get to what really matters – the factors that will make my ads perform the best.

Which approaches give me the most sales? Which will give me the best ROI? How can I get my ad to the top? That's what this guide is all about, so let's introduce the main **success factors** which will get you results.

In this section, we introduce the main controls that you have available to improve your results from paid search. We also introduce some basic recommendations which will be useful if you are relatively new to paid search marketing.

*\* Note to experienced paid search marketers – we'll dive into the real detail a little later in this report.*

## Which factors control the success of your paid search campaigns?

According to Alan Eustace, Google's VP of Engineering to control the position and presence of a site within the natural listings Google take into account over 200 “signals”<sup>17</sup>. Fortunately, with paid listings, the factors are simpler, encompassed within the **Quality Score**, but there's still plenty to get your head around. And ROI is also easier to measure.

When you create a paid search campaign for the first time (or if you are reviewing the effectiveness of an existing campaign) Econsultancy recommends a structured analysis broken down by the main success factors. These factors ultimately control your paid search marketing.

We recommend completing this analysis at **two levels**...

- First, the detailed **keyword-level controls** which determine the efficiency of your paid search campaign.
- Second, the **campaign level controls** which determine the overall effectiveness and direction of your paid search campaign.

Over the next few pages we'll help you understand more about how to implement these controls.

## Key Recommendation 5

Review and improve your paid search campaign results through a thorough analysis of the campaign-level effectiveness controls and keyword-level efficiency controls.

Sample only, please download the full report from:



<http://www.e-consultancy.com/publications/paid-search-marketing-ppc-best-practice-guide/>

<sup>17</sup> <http://blog.outer-court.com/archive/2006-05-10-n76.html>



# Keyword Level Efficiency Controls Including Cost Per Click and Quality Score

Let's start with the keyword controls which tend to be most straightforward. The main factors which will affect your position, click volume and cost-effectiveness for an individual keyword on a particular search engine network are...

## 1. Cost per click (CPC)

Paid search uses an auction type arrangement with advertisers bidding a higher **Maximum CPC** if they want to appear higher in the sponsored links. But it is not as simple as people think, which tends to run along the lines of 'the more you pay per click, the higher you will be placed in the sponsored listings, and the more clicks you will receive'.

For full recommendations, read the section on Bidding Strategies.

## 2. Quality-Based Positioning

So, the position of an advertiser's ad in the sponsored listings is dependent not only on the amount they bid, but also on the relevancy of the ad determined, in particular through its clickthrough rate and other Quality Score factors.

### Key Recommendation 6

Understand the factors which influence the Quality Score in the search networks which is used to determine relevance of an ad to user and governs your position in the search results. You should also keep up-to-date and act on the latest changes in the Quality Score.

#### Understanding Google's Quality Score

The Quality Score is an assessment by Google Adwords of an individual ad triggered by a keyword which, in combination with the bid amount determines the ranking of the ad relative to competitors.

A higher Quality Score of a keyword will result in:

- A higher ad position within Google search results and the content network for that keyword at a given bid amount.
- A lower minimum bid amount necessary for an ad to be served for the keyword that triggers it. Ads with a low Quality Score may not be displayed until a higher amount is bid.
- Greater eligibility for an ad to appear on a site on the content network and potentially improved positions within competitive listings.

Understanding Quality Score is difficult since Google is not completely transparent on its approach; it does refer to the main factors but it doesn't disclose "other relevance factors" or the relative weighting between them.

- **Implication 1.** Clickthrough rate on the ad is given as the first factor. Higher CTR will result from more relevant ads, so this shows the importance of producing smaller, highly targeted ad groups which deliver creative with relevant ad text and offer for the search term entered. If you make extensive use of broad match for a limited range of phrases, your clickthrough rates will be lower than if you use exact or phrase match or if you use broad match on many keywords. The use of negative keywords will help increase CTR and so Quality Score.
  - **Note** that the clickthrough rate used takes into account expected clickthrough rate for a particular position since higher ad positions naturally tend to gain higher CTRs.
- **Implication 2.** Clickthrough rate on the content network is not considered for results within Google search results page as is sometimes thought to be the case and is used as an argument against the content network.
- **Implication 3.** You should make sure you have good **Keyword relevance** which is the degree of match between the keyword triggering the ad and the search term entered.
- **Implication 4. Ad text relevance** is also important. This is degree of match between the words in the ad creative compared to the search term entered.
  - The importance of keyword relevance and ad text relevance in the Quality Score again shows that developing many more focused Ad Groups will give better results.
- **Implication 5.** The historical assessment of clickthrough rate suggests the importance of removing poorly performing keywords or Ad Groups. High volume brand keywords will have an effect in increasing CTR across the account which won't occur if brand bidding is not used.
- **Implication 6.** Other relevance factors. Although in this current disclosure, Google doesn't state that the landing page relevance is a factor, it has said this in the past and it is used for setting the permissible minimum bid amount. We can also speculate that Google could review whether ads are effective according to whether they are immediately followed by another click or search.

## Key Recommendation 7

Put in place a structured approach to continually review and improve the relevance of ad creative for different keyword types based on copy effectiveness and campaign structure.

Sample only, please download the full report from:



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## Assessing your Quality Scores

In 2007, Google introduced a Quality Score Rating which gives a crude guide of your Quality Score from Great, OK, to Poor, although you should find the majority are categorised as “Great” range in a well-maintained account. Use the Google Keyword analysis tool to gain a Quality Score rating of your ads from Great, OK or Poor.

## Quality Score and landing page performance

In March 2008, Google announced<sup>18</sup> site speed / performance would be incorporated into its Quality Score.

- Review your load times and look for these main culprits such as Interstitial pages, multiple redirects (from bid management or tracking tools), excessively slow servers and heavy pages.
- Try optimising your load times using these [ten tips to speed up page download speed](#).
- Review your load time evaluation published by Google.

## 3. Keyword Matching Criteria

**Keyword matching** is an important targeting technique within paid search since it gives you precise control of which ad you display for the combination of keywords entered by searcher. We say ‘can give precise control’, because all the search engine networks have default **broad keyword matching** options which are designed to save time for those managing campaigns. These can give good results with sufficient keywords, so many find extensive use of keyword matching unnecessary.

Keyword matching is performed according to different **match types** specified by the advertisers. These are rules defined by the search networks for controlling when advertisers ads are displayed dependent upon the search term entered by the search engine users.

The three main types are **broad matching**, **precise matching** and **negative matching**.

- **Broad matching** where the ad will be displayed if the keyword or related terms are searched upon. Example: for an ad keyword: “plasma TV” the ad may also be displayed if the search term “plasma television” is entered. The same terminology is used in Microsoft AdCenter. Known as the Advanced Match type in Yahoo!
- **Precise matching** known within Google as **Exact Match** (Example: ad only displays if the precise phrase “plasma TV” is entered and **Phrase Match** (Example: ad displays if the precise phrase “plasma TV” plus any other words is entered). The same terminology is used in Microsoft AdCenter. Known as the “Standard Match Type” in Yahoo where it also contains plurals and other minor variations.
- **Negative matching** where the ad will not be displayed if the searcher includes a specific word (Example: ad won’t display for “cheap plasma TV” if “cheap” has been entered as a negative keyword). Known as “Excluded Words” within Yahoo! The same terminology “Excluded Words” is used in Microsoft AdCenter.

For full recommendations, read the section on Keyword Matching Strategy.

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<sup>18</sup> <http://adwords.blogspot.com/2008/03/landing-page-load-time-will-soon-be.html>



## 4. Creative

The relevance of your ad creative for a search will affect your position in paid search networks such as Google Adwords, Microsoft adCenter and Yahoo. All of these networks use quality-based positioning criteria, since a good ad will receive a higher clickthrough rate from searchers, achieving a better Quality Score in the process (the networks naturally want to drive clicks in order to earn revenue).

Alternative ad formats such as text, image and video are now possible.

For full recommendations, read the section on Strategy 14. Ad Creative and Copy Strategy.

## 5. Landing Page

This is the destination page when the user clicks on the ad. It can be a home page but more typically and desirably, a landing page is a page focused on the offer in the ad. This will maximise conversion rates, whether you're defining 'conversion' as a sale, a lead or a change in brand metrics.

Working hard to improve your landing pages pays dividends since it helps both to convert more visitors and increasing relevance through adding the right keywords in the <title>, headings and copy also improves the Quality Score for a keyword, so it can reduce keyword costs.

For full recommendations, read the section on **Error! Reference source not found.**

## 6. Use of Content Network

The content network is where sponsored links are displayed by the search engine on a network of third-party sites.

As a consequence the behaviour of those clicking on these ads tends to be different to the directed search behaviour within the search engines themselves. They are not typically in 'search' mode but in 'browse' mode. And as such, their propensity to click may be much diminished.

For best results this requires a different approach to targeting, bidding and creative for the content network. It also requires you to make a decision on which parts of the keyword portfolio to target using the content network.

For full recommendations, read the section: Strategy 5. Content Network Strategy.

## 7. Time of Day

Targeting ads by certain times of the day or week, which is known as **Dayparting** is a relatively sophisticated targeting approach typically used by larger advertisers.

Improving ROI through varying strategies during different hours of the day consistent with consumers use of search engines and their purchase behaviour.

For full recommendations, read the section on **Error! Reference source not found.**

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## 8. Position in Sponsored Listings

In combination, all of the factors above combine to affect the position in the sponsored listings which is another control that the search marketer has available to them – you decide which position to target for your listings.

### Key Recommendation 8

The optimal Return on Investment is achieved through not targeting the top positions, so you need to develop a policy for which positions to target for different types of keyphrase.

For full recommendations on position, read the section on **Error! Reference source not found.**

## Campaign Level Effectiveness Controls

At a broader, macro-level, these are the main campaign-level controls...

### 1. Return on Investment Goals

Your strategies should be informed by the types of returns you are looking for.

Are your goals simply to achieve awareness and click volume, or do you have more specific targets for leads, revenue and profitability?

For full recommendations on setting objectives, read the section on **Strategy 1. Goal-Setting and Tracking Strategy.**

### 2. Search Engine Networks Used

Since Google has been predominant in many countries, some paid search activities simply focus on Google Adwords. But other search networks should also be considered which can extend reach and may be more profitable give greater options.

The most popular ad networks vary between different countries, but the three main ad networks are present in most countries.

We will focus on these four networks whose services are available across many countries. These three options are:

Google Adwords (<http://adwords.google.com>)

Yahoo! Search Marketing (<http://searchmarketing.yahoo.com/>, formerly Overture)

Microsoft adCenter (<http://adcenter.microsoft.com>)

MIVA Pay Per Click, Pay Per Call and Pay Per Text ([www.miva.com](http://www.miva.com))

For full recommendations on search engine networks, read the section on

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### 3. Keyword Analysis and Targeting

Deciding on which keywords to advertise on and the relevant ads to display is one of the biggest tasks in search engine marketing.

#### Key Recommendation 9

A structured approach to keyword analysis to - expand the keywords you are targeting on - is a key activity of search engine marketing.

For full recommendations on how to identify keywords and select them, read the section on Strategy 2: Keyword Analysis and Selection Strategy.

### 4. Campaign Structure

Campaign structure refers to the way in which your keywords are grouped within the paid search advertising account (to define the appropriate ad creative to be displayed when these terms are searched for).

This is vitally important since it determines how closely you can target your paid search activities. If you have many diverse keywords for an ad you will be less able to deliver relevance so your clickthrough rate will be low and your price bid will have to be high compared to competitors to get the listing position you need.

#### Key Recommendation 10

Devising a sound campaign structure which groups your keywords in such a way that relevant ad creative can be delivered to searchers is crucial now quality-based bidding is commonplace.

For full recommendations on the best way to structure your accounts, read the section on **Error! Reference source not found.**

### 5. Budget Allocation

Budget allocation involves setting the right level of investment in paid search and the allocation of this budget between different paid search networks, and also within the different campaign components within the structure of the account.

For full recommendations on approaches to budget allocation, read the section on Budgeting Strategy.

**Bid management tools** are often used to help with this allocation.

### 6. Listing Position and Bidding Strategies

You should have general approaches across your accounts to the listing positions you want to achieve and your bidding approaches.

For full recommendations on approaches to budget allocation, read the section Listing Position

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Strategy and. Bidding strategies may be automated through tools which are described in the section on Bid Management Tool Strategy.

## 7. Campaign Integration Strategy

Your paid search marketing will work better if it is combined with similar types of online marketing it overlaps with.

For full recommendations on integrating paid search with other advertising tools, read the sections on SEO Integration Strategy, Affiliate Integration Strategy and Marketing Integration Strategy.

## Strategy Map

### **PART 1 PLANNING FOR PAID SEARCH MARKETING**

Goal-Setting and Tracking Strategy  
Keyphrase Analysis and Selection Strategy  
Resourcing and Agency Strategy

### **PART 2 TARGETING WITH PAID SEARCH MARKETING**

Search Ad Network Strategy  
Content Network Strategy  
Campaign Structure Strategy  
Keyword Matching Strategy  
Search-Term Targeting Strategy

### **PART 3 BUDGET AND BID MANAGEMENT FOR PAID SEARCH**

Budgeting Strategy  
Listing Position Strategy  
Bidding Strategies  
Dayparting Strategy  
Bid Management Tool Strategy

### **PART 4 CREATIVE, TESTING AND OPTIMISATION FOR PAID SEARCH**

Ad Creative & Copy Strategy  
Destination or Landing Page Strategy  
Campaign Review and Optimisation Strategy  
Click Fraud Strategy  
Specialist and Innovative Paid Search Techniques – Local, International, Pay Per Call, Mobile Search

### **PART 5 COMMUNICATIONS INTEGRATION FOR PAID SEARCH**

SEO Integration Strategy  
Affiliate Integration Strategy

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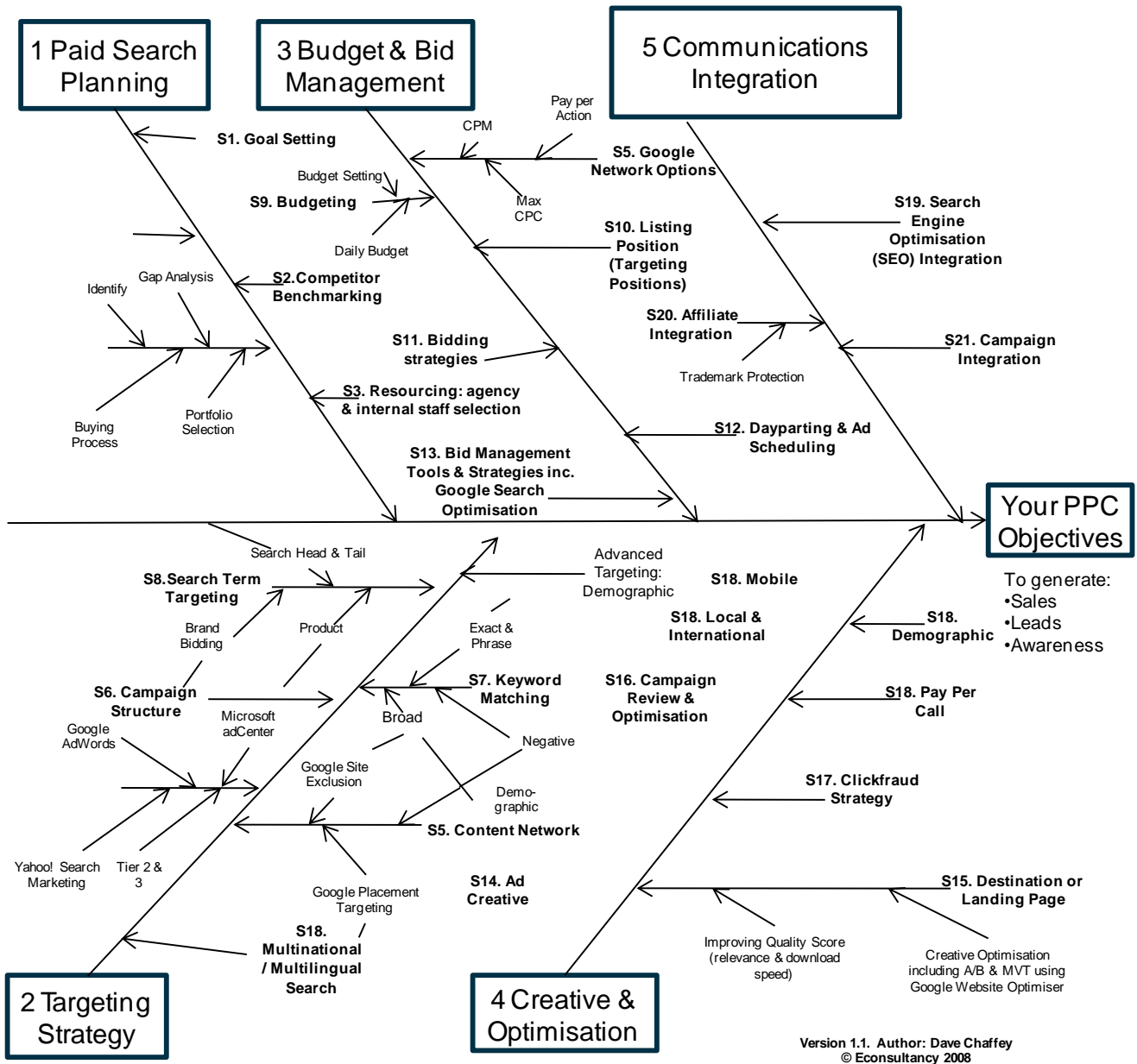
*Figure 8* Econsultancy Success Factor Map for Paid Search Marketing

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# Part 1. Planning For Paid Search Marketing

In the first part of the Econsultancy Best Practice Guide to Paid Search Marketing, we'll show you how to create the foundations of a profitable paid search capability.

The main strategies which will help give you a planned approach for paid search are...

## **Strategy 1. Goal-Setting and Tracking Strategy.**

Goal-setting and tracking fit together. There is little point in setting goals unless you track your results and there is little point in tracking if you don't use the results to identify new goals and tactics to drive performance.

In this section we show you how to set the right objectives and select the right tools and process for tracking.

## **Strategy 2. Keyphrase Analysis and Selection Strategy**

Keyphrase analysis and selection are core to success in SEM. Identifying relevant key phrases for your marketplace is crucial starting point both to starting and refining both paid search and SEO.

In this section, we explain a structured process to identify keyphrases related to your products and services. We also point you at the best free and paid for tools for identifying keyphrases and evaluating their potential.

## **Strategy 3. Resourcing and Agency Strategy**

As a part of a strategic review of your search marketing or entire digital marketing effectiveness it essential to ask whether you have the most cost-effective combination of resources to plan and execute your paid search marketing.

In this section, we look at your options for resourcing your search engine marketing using different types of agencies and internal resources. We also suggest how you should run a pitching process to select the best agency.

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# Strategy 1. Goal-Setting and Tracking Strategy

There is little point in setting goals unless you track your results and there is little point in tracking if you don't use the results to identify new goals and tactics to drive performance.

In this section we show you how to set the right objectives and select the right tools and process for tracking.

## 1.1 Introduction

Digital Media are arguably the most measurable media ever, and within digital media, paid search is the most measurable technique for tracking the success of variations in targeting, message and creative. But don't think this makes tracking of paid search straightforward; far from it.

To tackle this issue you need to be very clear about how you will measure success and the current limitations in your tracking. You then need to work ceaselessly to improve accuracy.

### Key Recommendation 11

Clearly define your requirements for tracking search engine marketing and then review current weaknesses and develop a plan to increase the accuracy of your results

## 1.2 Tracking Sophistication

The more sophisticated your tracking and the metrics you report upon, the better you will be able to assess the success of your paid search campaigns. So, adjust your goals and the targeting and bidding approaches to get better returns.

Understanding the metrics used to track success which we describe in this section is essential to bidding strategies and bid management systems.

- Tracking level 1. **Reach** = Number of ad impressions or views = Awareness
- Tracking level 2. **Volume** = Number of clicks, visitor sessions or Unique visitors.
- Tracking level 3. **Click quality** = conversion rates to value events.
- Tracking level 4. **Cost effectiveness** = Cost Per Click, Cost of customer acquisition (CPA) or cost per value event).
- Tracking level 5. **Return-on-investment (ROI)**.
- Tracking level 6. **Branding metrics** = Awareness, Familiarity, Favorability, Purchase intent.
- Tracking level 7. **Lifetime value-based ROI**.

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Remember that the search network will only give you the first few campaign related measures:

- Impressions
- Clicks
- Clickthrough rate
- Average Cost Per Click

You will have to work hard to integrate these with the **sales and budget-related measures**. If you can't determine your **conversion rate, margin** and so **profit on a per-keyword and per-product basis** then you won't be able to optimise your paid search marketing.

## Key Recommendation 12

To enable optimisation of paid search marketing, create a measurement system which relates paid search expenditure to costs, revenue and profitability on a granular level, ideally of individual keywords and product codes.

## Tracking Level 1: Reach = Number of Ad Impressions and Share of Search

Each search network you advertise on will provide you with data on the number of times your ad is displayed. The number of ad impressions is given at keyword level or aggregated up to Ad Group or the whole campaign in Google AdWords.

- Impressions include the content network of third party sites (see Content Network Strategy). These do not equate to searches, they are simply the number of times your ad is displayed on these third party sites, so make sure these aren't included when doing keyphrase research or reporting on number of searches.
- Multiple impressions may occur for the same search. This can happen for two reasons. First the searcher may press the back button after visiting a destination site. Second some advertisers maybe shown on first results page and then later search results pages).
- Google disclosure in the search forums suggests that both of these do count to your impression figure. This inflates the actual number of searches and also decreases your overall clickthrough rate (although this shouldn't act as a penalty since other advertisers will also have their ads displayed multiple times).
- Users search on phrases repeatedly.
- Automated searches generated by bots and tracking tools will also inflate the number of impressions.

### Share of search

Another measure of reach is the 'share of search'.

This is the search equivalent of market share or share of voice. It is the proportion of paid search clicks for a particular keyword or product category. It is available through a service such as Hitwise.

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## Tracking Level 2: Volume = Number of Clicks, Visitor Sessions Or Unique Visitors.

Number of clicks: the volume of clicks or number of visits generated from paid search is the basic measure of campaign effectiveness. In campaign A we have generated 8,000 clicks. Such basic tracking is available with all the search networks. You should separate out all metrics from the search engines themselves and the content network (see Strategy 5. Content Network Strategy).

### **Beware : Clicks don't equal site visits**

Be aware that the number of clicks recorded by the paid search network is not usually equivalent to the number of visits recorded on your site.

#### **Tip 4**

Review the ratio between the number of paid clicks recorded by different search networks and the number of visits recorded by your analytics solution

#### **Potential reasons for discrepancies are:**

- *Site download too slow.* Benchmark yourself against competitors using a site performance testing tool like [www.siteconfidence.co.uk](http://www.siteconfidence.co.uk).
- *Position of tracking tags in your page.* You may have placed them at the bottom of the page to make the page loads appear quicker to users, but this may mean that the visit isn't recorded if the user bales out. You may want to test moving some page tags to the top, e.g. for landing pages which will more accurately measure impressions.
- *Web analytics system setup.* For example, tags may be coded incorrectly, or the analytics system may not be reporting on clicks from repeat visitors – for example if 2 clicks occur within the 30 minute default period to indicate a single visitor session.

#### **Unique visitors**

Unique visitors are equivalent to individual visitors to your site. This is not typically reported by the search networks which simply report clicks or visits.

However, for more sophisticated understanding of customer behaviour and conversion, such as the number of visits by the same visitor which occur before a purchase it is necessary to be able to identify individual people.

#### **Tip 5**

Report on visits from and conversion of unique visitors to understand multi-visit purchases that occur over a period of time.

The accuracy of reporting on unique visitors will depend on the technique used by your web analytics or **bid management system** to monitor unique visitors.

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## Tracking Level 3: Click Quality = Conversion Rates To Value Events.

### Different forms of conversion rates

For many campaigns only a single conversion rate of clicks to sales or leads is reported on. While this is fine for calculating and improving keyphrase effectiveness, you will be able to drive more value from your campaigns if you put in place more conversion measures.

Unfortunately you may have to work hard to do this through creating and reviewing reports in your web analytics system since many paid search tools only report on the basic conversion rate.

### Key Recommendation 13

Report on and analyse different forms of conversion rates to help refine results from paid search marketing

We will look at these different conversion rate measures:

- Visit and visitor conversion rates
- Bounce or engagement rates
- Step or micro conversion to opportunity, sale and intermediate steps
- Conversion to value events
- Conversion across multiple site visits

#### 1. Visit and visitor conversion rates

You can express site conversion rates in two different ways – at the visit level and visitor level.

### Tip 6

Report both visit and visitor-based conversion rates to fully understand the conversion process.

#### 2. Bounce or engagement rates

Another good, but underused measure of click quality and also the effectiveness of landing pages is the page or keyphrase bounce rate.

The benefit of using bounce rates rather than conversion rates is there is a much wider variation in bounce rates for a page (i.e. typically 20% to 80% compared to sub 10%), which enables problems with individual keywords or landing page conversions to be more readily identified.

### Tip 7

Report on and review bounce or engagement rates to analyse and improve campaign or keyword effectiveness.

#### Tracking using Google Analytics

Many readers will use Google Analytics for evaluating their online marketing. If you do this, you will get the most from it for improving search marketing by seamlessly integrating it with your AdWords accounts.

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## Key Recommendation 14

Standardise reporting for your online marketing campaigns such that the value of paid search referrals from the main search networks can be compared with other digital media channels such as affiliate marketing and display advertising

### 3. Step or micro conversion to opportunity, sale and intermediate steps

In the same way that bounce rate gives us better visibility on how effective our keywords are, it is also worthwhile separating out other steps of conversion on a site and then comparing them between keywords or different products.

## Tip 9

Most businesses have a two step conversion where first there is a conversion to opportunity or a potential lead is generated and then there is a further conversion to sale.

An opportunity is typically where we first ask the user for data. This will vary for different businesses, for example:

- Airline – a search for flights
- Insurance company – an insurance quote
- Retailer – the first shopping basket page
- Business-to-business company – a registration page or call-us page.

A keyphrase may fail to perform not because of the targeting, product description or pricing, but simply because there is a problem with shopping basket process for that product. Setup funnel analysis within your web analytics tool to assess this.

## Tip 10

Integrate forms data collection with your tracking package to identify individual fields that cause attrition.

### 4. Conversion to value events

More advanced tracking allows the marketer to record when a range of value events or marketing outcomes are achieved.

Typical value events that can be tracked are:

- Purchase or sale
- Lead – a request for a follow-up call or document
- Registration to a newsletter or a subscription service
- View of a page such as a “Where to Buy” page or product page which may lead ultimately to sale

## Key Recommendation 15

Ensure you use a system of value-based tracking which record the number of key user events or outcomes for your site and the conversion rates to these events. Check your web analytics or bid management system has this capability.

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## Tracking Level 6: Branding Impact Metrics

Paid search marketing is focused on achieving actions like leads and sales, so we have put branding well down our list. However paid search is a great means of achieving reach, so there must be some form of branding effect to increase awareness.

Indeed, in a recent survey<sup>19</sup> of paid search marketers 77 percent of the advertisers with 500 or more employees said their primary purpose in using pay-per-click advertising was to **increase or enhance brand awareness** of their products or services.

**Lead generation** wasn't far behind with 70 percent of advertisers at larger companies saying this was also an objective of their search engine marketing programs.

In smaller companies, it is a little different with 65 percent of advertisers with less than 500 employees said selling products, services or content directly online was the top objective of their pay-per-click advertising.

Nevertheless, 55 percent of advertisers at smaller companies also said building brand awareness was also a goal, making it their secondary objective.

## Tracking Level 7: Life-Time Value-Based ROI.

Here the value of gaining the customer is calculated not just on the initial purchase, but the lifetime value (and costs) associated with the customer. This requires more sophisticated models which are beyond the scope of this report<sup>20</sup>.

Lifetime values are calculated based on assumptions about the proportion of repeat purchase, future spend and referrals of new customers in each period following initial acquisition.

For example a car insurer might find that visitors who purchase after being referred using the phrase 'car insurance' are less profitable in the long-term than others who type phrases with more keywords, e.g. 'no claims discount car insurance'.

### Tip 14

Retailers or transactional site owners should use lifetime value models at campaign or even keyword level to refine their returns from paid search marketing.

## 1.3 Comparing Paid Search with Other Online Media

To help understand cost-effectiveness of different media, we need to combine **visualisation of media costs, response rates and conversion rates for different media**.

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<sup>19</sup> [http://www.sempo.org/news/releases/building\\_brand](http://www.sempo.org/news/releases/building_brand)

<sup>20</sup> Lifetime Value models spreadsheets are available from [www.dbmarketing.com](http://www.dbmarketing.com)



## 1.4 Tracking and Reporting Granularity

Within each of the 7 levels we have reviewed, there are different levels of detail you can track at. To drive the best results from paid search, more detailed analysis will always help, but there is a law of diminishing returns where detailed tracking may not be worthwhile if the volume of advertising is limited.

### Key Recommendation 18

Improve the detailed granularity of your reporting using our checklist of 10 levels of reporting accuracy for Pay Per Click Marketing

However, if you are reviewing your paid search effectiveness or selecting a new tracking tool, it makes sense to review how detailed your tracking is. You may know that you have achieved 500 sales through paid search in a month, but to what extent can you break this down to understand effectiveness?

#### 1. Track Referrals Between Paid Search and Organic Search.

You will likely get referrers from paid and natural search for many terms, so you need to distinguish between them using tagging as described in the next section.

#### 2. Track Across Different Search Networks.

Your reports should distinguish between networks such as Google Adwords, Yahoo! Search and Microsoft adCenter.

.....

#### 9. Track to Offline Value Events.

Through the use of phone number tracking, options are available to track offline sales made by phone.

#### 10. Subtract Sales that Fail or Returns are Made.

For a retailer, product returns greatly affect profitability. Since some products will have higher return rates this can potentially affect the profitability of a paid search campaign.

### Key Recommendation 19

Ensure that different keyphrases which contribute to a sale or other outcome are considered in keyphrase selection.

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## 1.5 Tracking System Options

There are four main options for tracking paid search success using the measures we have described in the previous section. These are as follows:

### 1. Search networks.

Each of the paid search networks will provide some form of tracking and this is increasingly becoming more sophisticated. For example Google Adwords has a conversion tracking feature which now integrates with Google Analytics<sup>21</sup>).

### 2. Specialist conversion tracking software.

Some software or web services is available specifically for managing paid search campaigns.

### 3. Web analytics software.

Web analytics software is designed to provide visibility on all aspects of online marketing from paid search and other online marketing campaigns to site visitor behaviour.

### 4. Bid management software.

These typically have advanced reporting of trends across the main search engine networks. Bid management systems are covered in more detail in section Key Recommendation 64.

## A Note on Web Analytics

Web analytics is an essential building block for any web business. There are many analytics tools available and they differ dramatically in their capability to assist with improving SEM performance. SEO agencies may recommend additional tools to help you measure SEO success.

### Key Recommendation 22

Ensure you have the appropriate web analytics tool to improve SEM which gives a granular view of your performance partitioned into SEO and paid-search.

### 1.7.1 What Do I Need From a Web Analytics Tool?

You will want to see the following...

- Reports on all keyphrases referred from search engines, i.e. it isn't limited to 100 phrases.
- Keyphrases are reported separately for different referring search engines, e.g. Google, Microsoft Live Search, Yahoo! and different country versions.
- Keyphrases separated out into those from natural and paid listings.

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*21 For tips on how to use Google Analytics for SEO and SEM see Google Analytics "Conversion University": [http://www.google.com/analytics/conversionuniversity\\_dt.html](http://www.google.com/analytics/conversionuniversity_dt.html)*



# Strategy 2: Keyphrase Analysis and Selection

## Strategy

Keyphrase analysis and selection are core to success in SEM. Identifying relevant key phrases for your marketplace is a crucial starting point both to starting and refining both paid search and SEO.

### 2.1 Introduction - What is Keyphrase Analysis? Why is it Important?

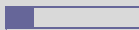
Keyphrase / keyword analysis and selection are core to success in SEM. Identifying relevant key phrases for your marketplace is crucial starting point both to starting and refining both paid search and SEO.

Detailed keyphrase analysis and selection enables you to...

- Review possible phrases which will enable you to connect with potential customers as they search for products, content or experiences.
- Select keyphrases which indicate intent on the part of your audience which helps qualify your audience and decide which phrases you should prioritise on.
- Set goals for returns on SEM based on the number of relevant searches and the cost of achieving results.
- Select SEM strategy for achieving results for each keyphrase – which combination of SEO, paid-search and affiliate marketing will work best?
- Review progress against these goals.

#### Key Recommendation 23

Ensure sufficient SEM project time is devoted to keyphrase analysis, demand evaluation and selection.

<b>Paid Search Summary Strategy 2</b>	<b>Keyphrase analysis and selection strategy</b>	<b>Applies to:</b> <b>All search networks and content networks</b>	<b>Level:</b>  1/5
What is it?	The structured identification of potential keyphrases to advertise on and selection of the most relevant/profitable to target through PPC/SEO and affiliate marketing.		
Example	For a retailer like the HardwareShop.com which sells laptops, they need to decide whether to advertise on different keyphrase variants like cheap laptops, compare laptops, laptops uk, Hewlett Packard laptops, etc.		
Best Practice	You should approach keyphrase research and selection in a structured way. We recommend these stages: <ul style="list-style-type: none"><li>● Stage 1. Scope keyphrases identifying main themes</li><li>● Stage 2. Identify full-list of potential keyphrases</li><li>● Stage 3. Keyphrase gap analysis</li></ul>		

## 2.5.4 Understanding Different Types of Keyphrases

We now know that the majority of search queries consist of more than word. These are usually made up of the principal theme of the search, often a product or type of content and one or more 'keyphrase qualifiers'.

### Tip 23

We recommend you select keyphrases and assess performance based on the generic search phrase and 8 common search term qualifiers:

In the example below, the theme or generic search phrase is car insurance:

#### 1. Adjective (price/product qualifiers)

'cheap car insurance' – quality is often poor for these phrases, so the decision may be taken not to target them dependent on the brand.

#### 2. Comparison/quality

'compare car insurance' – this phrase may be more difficult to convert on.

#### 3. Intended use (application)

'high mileage car insurance.'

#### 4. Product type

'multi-car insurance' – typically low volume.

#### 5. Product specification or feature

'no claims bonus car insurance'.

#### 6. Brand

'Churchill car insurance' – The combination of brand plus product is a very common search and it is important to be able to use this knowledge to target prospects searching on your brand name and also competitor brand names.

#### 7. Location

'car insurance UK' – this usage is surprisingly common so you should be sure to bid on phrases including a country or part of a country.

#### 8. Action request

'buy car insurance' – these show high intent and are often more competitive.

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## 2.5.5 Navigational searching behaviour

In **navigational search or searching behaviour**, searchers aim to go direct to a known company site by typing in the site or brand name. Alternatively, and less commonly, they will type the site or brand name and append a qualifier such as a product name to the query. This shortcuts the site navigation and may make up for shortcomings in the sites own search engine.

### **Branded Keyword Search –**

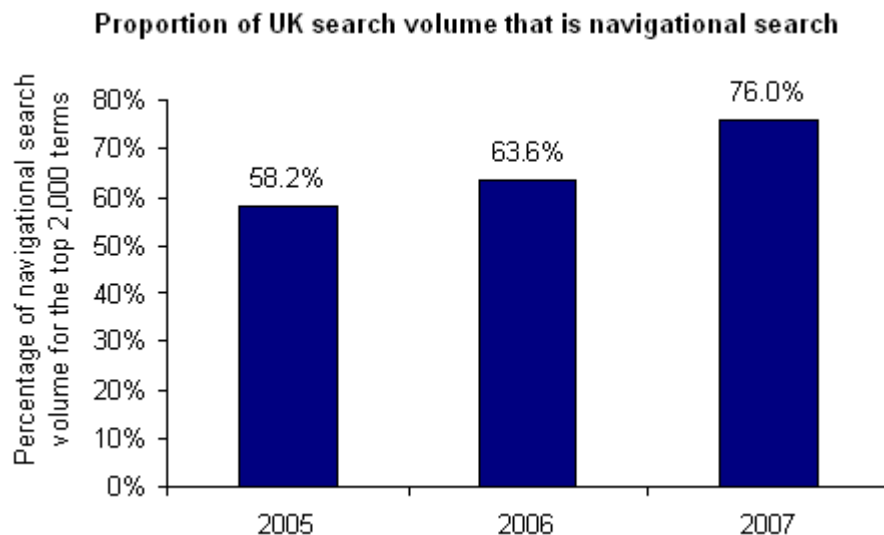
A click was assigned to this segment if the key phrase associated with the click included the advertiser's brand name or explicitly matched the advertiser's web site URL.

### **Repeat Visit Behaviour –**

If a user clicked on multiple ads leading to a given advertiser's web site, repeat visits were considered navigational because they imply prior knowledge of the advertiser.

Other research by Hitwise has suggested that navigational search has increased. Who said branding wasn't important in online marketing?

*Figure 22* Importance of navigational search in UK. *Source: Hitwise<sup>22</sup>*



The implications of navigational search behaviour are:

- Navigational search should be assessed through analytics and the most important type of behaviours (types of keyphrase combinations) defined.
- Organisations need to check that relevant ads (Pay Per Click) and web pages (SEO) are available in the search results for the most common brand + category or product searches.

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[http://www.hitwise.com/1000-goqd/2008/04/google\\_uk\\_trademark\\_changes\\_navigational\\_search.html](http://www.hitwise.com/1000-goqd/2008/04/google_uk_trademark_changes_navigational_search.html)



## Get Creative with Your Keywords

As well as the standard product related keywords described above, it's also worth thinking laterally to enable you to purchase keywords that no one else has thought of.

Such 'left-field' ads may get relatively low clickthrough rates unless you have an amazing, relevant offer, but can be good for increasing awareness of your product.

### 2.5.6 Grouping and Categorising Keyphrases

When performing keyphrase analysis and in SEM implementation, it is essential to manage keyphrase volumes and strategies by grouping and categorising keyphrases in different ways.

Groups / categories might reflect:

#### **Products:**

Credit cards, Online banking, Mortgages

#### **Intent:**

The phrase qualifier

#### **Search behaviour:**

Types of searches dependent on the qualifier as above, such as brand, product type, location, product features, etc

#### **Phrase complexity:**

Number of words

Sample only, please download the full report from:



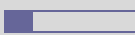
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# Strategy 3. Resourcing and Agency Strategy

As a part of a strategic review of your search marketing or entire digital marketing effectiveness it essential to ask whether you have the most cost-effective combination of resources to plan and execute your paid search marketing.

## 3.1 Introduction

Paid Search Summary <i>Strategy 3</i>	Resourcing Strategy	Applies to: All search networks and content networks	Level:  1/5
What is it?	As a part of a strategic review of your search marketing or entire digital marketing effectiveness it essential to ask whether you have the most cost-effective combination of resources to plan and execute your paid search marketing		
Example	A company may have a single agency for SEO and PPC, they may have an agency that manages both or they may perform one or both in house.		
Best Practice	Best practice: The resourcing issues we will look at in this section are: <ul style="list-style-type: none"> <li>• 1. Type of resource used – different options for outsourcing and in-house.</li> <li>• 2. Selection of software tools.</li> <li>• 3. Agency fee models.</li> <li>• 4. Briefing agencies and pitching process.</li> <li>• 5. Switching paid search between agencies – what to watch out for.</li> </ul>		
What to watch For	<ul style="list-style-type: none"> <li>• a. An example RFP for a SEM agency is given in Appendix 3.</li> <li>• b. It is particularly important to check on who owns the intellectual property on keywords, bid policies, etc to avoid</li> <li>• lock-in to one agency</li> </ul>		

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# Part 2: Targeting With Paid Search Marketing

In the second part of our Best Practice Guide to Paid Search Marketing, we show you options for targeting your keyphrases to give you the best return on investment.

The main strategies which will help give you a targeted approach for paid search which delivers relevance to searchers and qualified visitors to your site are:

Search Ad Network Strategy

Content Network Strategy


Campaign Structure Strategy

Keyword Matching Strategy

Search-Term Targeting Strategy

Strategy 4: Search Ad Network Strategy

## 4.1 Introduction

<b>Paid Search Strategy 4</b>	<b>Search Ad Network</b>	<b>Applies to: All major search networks options</b>	<b>Level:</b>  1/5
What is it?	A search ad network is the service which is used to place your ads within search engines and on third party sites.		
Example	The main international paid search ad networks are: Google Adwords ( <a href="http://adwords.google.com">http://adwords.google.com</a> ) Yahoo! Search Marketing ( <a href="http://searchmarketing.yahoo.com/">http://searchmarketing.yahoo.com/</a> , formerly Overture) Microsoft adCenter ( <a href="http://adcenter.microsoft.com">http://adcenter.microsoft.com</a> ) MIVA Pay Per Click, Pay Per Call and Pay Per Text ( <a href="http://www.miva.com">www.miva.com</a> )		
Best Practice	<ol style="list-style-type: none"><li>1. Google AdWords is highest by volume, so most advertisers use this.</li><li>2. Should also consider other search networks where volumes are lower, but so is competition, so CPC often lower for a given phrase.</li></ol>		
What to watch for	<ol style="list-style-type: none"><li>a. Creative options different as explained in Ad Constraints For The Different Ad Networks.</li><li>b. Transparent bidding can lead to Bidding Wars.</li><li>c. Some networks such as MIVA are based primarily on third party content network listings, so conversion rates can be lower for these.</li><li>d. If your ad spend is low the incremental cost of setting up and managing these several ad networks may not be worthwhile. Some networks such as Yahoo! and Microsoft adCenter have a minimum spend per month.</li><li>e. Yahoo! introduced a new ad platform in October 2006 (with the development codename 'Panama') which is more similar to Google Adwords than the previous version in campaign structure, targeting, creative testing and bidding options.</li></ol>		

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# Strategy 5. Content Network Strategy

In our view, the content network of third party sites, on which your ads are displayed entirely separate from the search engine itself, is the biggest hidden secret in paid search marketing. It is also important since it delivers a different type of audience who are less likely to be directed searchers, but have clicked because of interest indicated by an ad. Ads are typically displayed adjacent to relevant content using algorithms which the search engines use to determine relevant ads based on relating trigger keywords to content analysis.

## 5.1 Introduction

The content network is hidden in the sense that it is hidden from those who are not closely involved in search marketing. Indeed, it is one of the biggest secrets of the search industry as a whole. Financial results from Google suggest that it is the source of nearly 50% of all ad revenue accrued by Google. Think about it – nearly half the revenue Google receives is not from users searching in Google or related partner implementations of the search engine such as AOL or the BBC, but from users clicking on contextual ads on third party sites.

Paid Search Strategy 5	Content networks	Applies to: All major search networks have content networks	Level:  2/5
What is it?	Sponsored link ads are displayed on third party sites using contextual advertising where ads are automatically related to site content based on keywords		
Example	<p>Google Content Network: Adsense ads are displayed on publishers sites, for example, see <a href="http://www.davechaffey.com/Total-E-mail-Marketing/">http://www.davechaffey.com/Total-E-mail-Marketing/</a> where ads are automatically displayed for E-mail Marketing</p> <p>Yahoo! Search Marketing Content Match: Ads are displayed on major media owner sites, e.g. The Guardian</p> <p>MIVA : Many ads displayed as sponsored link boxes on publishers sites such as The Sun and Dennis Publishing: Computer Shopper, Maxim, etc.</p> <p>Specialist in-text advertising of which the best known is Vibrant Media (<a href="http://www.vibrantmedia.com">www.vibrantmedia.com</a>). This operates in the US, Europe and some Asian markets. It offers its Intellitext plain text and video ads when the page viewer hovers over words highlighted with a double underline.</p> <p>Other specialist content networks such as AdBrite and Bidvertiser are also featured in <i>Table 14</i> Different tiers of search engine ad networks.</p>		
Best Practice	<ol style="list-style-type: none"> <li>1. Review the effectiveness of ads displayed on the content network by isolating results for them.</li> <li>2. Consider switching off the content network ads since volume, clickthrough rates and conversion rates to outcome on destination site are often lower.</li> <li>3. Use different, typically lower, bids for the content network.</li> <li>4. Use different forms of creative since users are less likely to be in research mode. This may involve creating separate AdGroups within Google for high volume keyphrases where worthwhile.</li> <li>5. Advertise more selectively on specific sites using the <b>Placement targeting tool</b> which are in a niche, to give better brand awareness, or conversion rates.</li> <li>6. Exclude significant, poorly performing or inappropriate sites using the <b>Site exclusion tool</b>.</li> </ol>		
What to watch For	<ol style="list-style-type: none"> <li>a. When the content network results are included within results for a given keyword or product category they can skew the results dramatically.</li> <li>b. Content network ads tend to have lower conversion rates because users may click on them compulsively – they are generally not in a directed search mode as they are when clicking on ads within search engines.</li> <li>c. The content network is arguably also more prone to click-fraud since some site owners may inflate their clicks.</li> </ol>		

## 5.2 Beware the Content Network

Our main message in this section is **'beware the content network'**. Ignoring it will often lead to poor ROI. However, it is useful for extending reach on keyphrases which are limited by the number of people searching upon them.

It is particularly important to note that an advertisers performance on the content network of third party sites often skew the overall Campaign or Ad Group effectiveness because of its volume. So it is important to isolate the effect of the content network effect in order to understand its impact and to assess the performance of results from your direct searches performed in the network.

### Key Recommendation 38

Be sure to isolate the effect of the content network in overall reports of paid search campaign performance

For example, we have often seen examples like those in *Table 16* where there is a large discrepancy between the content network and direct search ads in volume and clickthrough (conversion data was not available for this data set, but is typically lower).

The table shows that the higher volume of impressions on the content network skews the overall campaign clickthrough rate and Cost Per Click in favour of the content network which means we can't evaluate the role of direct search unless we separate it out.

**Table 16 An example of the difference in paid search metrics for content network and direct search ads**

Placement of search ad	Impressions	Clicks	CTR	Avg. CPC	Position
Direct Search	50,000	2,500	5%	£0.60	6
Content Network	10,000,000	6,000	0.06%	£0.30	2
<b>Overall</b>	<b>10,050,000</b>	<b>8,500</b>	<b>0.08%</b>	<b>£0.35</b>	<b>2.5</b>

Although this is an extreme example, and in other cases the number of clicks direct from the search engine may be higher than the content network, in general, we see a pattern where the content network has:

- *More impressions* (due to ads like AdSense being served whenever there is a new page view on a partner site – this number is higher than the number of people typing specific phrases)
- *Much lower clickthrough rate* (since a click on a content site is more impulsive and content is less relevant to browsers than someone searching in a search network)
- *Lower average Cost Per Click* (due to the limitations of the search network there is less competition which may reduce the bid prices)

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## 5.6 Social Networks with Pay Per Click Options

Advertising options on social networks are not strictly related to search engine marketing, but we briefly mention them since they are another form of content network for which Pay Per Click options may be worth review for explicit inclusion or exclusion because of their usage:

### Facebook

([www.facebook.com/ads](http://www.facebook.com/ads)). Facebook social ads allows targeting by location and profile information such as Age and Sex. Potentially advertising can be keyword-based. Since Microsoft owns a share of the company, we can expect it's Microsoft adCenter content network to offer options to advertise to FB users in future.

### MySpace

(<http://www.myspace.com/modules/common/pages/sales.aspx>) Currently, uses Google AdSense in some sections. May be worth excluding this site. MySpace SelfServe Ads, a similar approach to AdSense has been proposed.

### YouTube

(<http://youtube.com/advertise>) Some options for advertising via Google on the content network in text, graphic or video form.

Expect big developments in the options on all three networks in the year ahead.

### Key Recommendation 44

Given the usage levels of social networks, consider how paid search will target this audience. You may want to choose options such as demographic targeting or review the quality of clicks to potentially exclude this audience.

Google has a page explaining how social networks can be targeted through placement targeting:

<https://adwords.google.com/select/afc/socialnetworks.html>

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# Strategy 7. Keyword Matching Strategy

Keyword matching is an important technique within paid search since it can give precise control of which ad you display for the combination of keywords entered by searcher. By limiting your ad display to specific searches by users, you can increase clickthrough rates and drive more qualified visitors to your site.

## 7.1 Introduction

We say matching strategy ‘can give precise control’, because all the search engine networks have default matching options which are designed to save time for those managing campaigns (and to increase spend and bid competition if we are being cynical).

Paid Search Summary Strategy 7	Keyword matching	Applies to: All search networks and content networks?	Level:  3/5 Common to apply matching defaults
What is it?	Keyword matching is performed according to different <b>match types</b> specified by the advertisers. These are rules defined by the search networks for controlling when advertisers ads are displayed dependent upon the search term entered by the search engine users. The three main types are <b>precise matching</b> , <b>broad matching</b> and <b>negative matching</b> .		
Example	<p>In Google AdWords the four choices for a searched keyphrase “Digital camera”:</p> <p><b>Broad match:</b> digital camera – display ads for this phrase, plurals and related words</p> <p><b>Phrase match:</b> “digital camera” – display ads for this phrase plus other words, e.g. “digital camera uk” but not plurals or reverse forms. Doesn’t include any other words within phrase.</p> <p><b>Exact match:</b> [digital camera] – display ads for this phrase only</p> <p><b>Negative match:</b> cheap – doesn’t display ad for search keyphrases which contain this word</p>		
Best Practice	<ol style="list-style-type: none"> <li>1. Many campaigns use the default broad match since this maximises reach on related words and ensures all keyphrase variants are included.</li> <li>2. More control on keywords using broad match is achieved by including many keyphrase phrase variants in your Ad Group.</li> <li>3. To ensure creative relevant for phrase entered make sure your Campaign Structure Strategy is granular with different ads for different themes and use Dynamic Headlines (see <a href="#">Dynamic Ad Creative</a>).</li> <li>4. Use phrase and exact match for high volume phrases or phrases where it is proving difficult to generate ROI.</li> <li>5. Use negative matching, particularly for high volume phrases.</li> </ol>		
What to watch For	<ol style="list-style-type: none"> <li>a. Take care not to exclude phrases through phrase and exact matches since plurals and phrases in different word orders may be excluded.</li> <li>b. Terms for match types differ between search networks, we explain these below.</li> <li>c. Broad matches can have a lower CPC in Yahoo! Search and other networks than exact or phrase matches since there is less competition on the less common multi-word keyphrases which some advertisers are not targeting through their use of precise and exact match.</li> </ol>		

By going beyond the default options you will be able to control your return on investment much better, and in the section on keyword matching strategies we explain how.

### Key Recommendation 48

Use advanced keyword matching options rather than the defaults to increase your control on ads displayed for specific high volume search terms.



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## 1. Broad keyword matching.

The ad is displayed even when the search term entered by the user as specified or is similar to that defined by the advertiser for displaying their ad.

## 2. Precise keyword matching.

Here the ad is displayed when the search term entered by the user is very closely related or identical to that defined by the advertiser for displaying their ad.

## 3. Negative keyword matching (Excluded words).

This prevents the ad being displayed when the search term entered by the user contains a word which has been defined by the advertiser as not relevant for displaying their ad.

The screenshot shows a Google search for "hsbc credit card". The search bar contains "hsbc credit card" and the search button is visible. Below the search bar, there are several sponsored links and organic search results. The sponsored links include "HSBC Bank Credit Card", "15 Months 0% Credit Cards", "Top 10 Credit Cards (UK)", "Compare All Credit Cards", "Top 20 Credit Cards (UK)", and "0% 10 Months - 9.9% APR". The organic results include "Apply for our 0% credit card online: HSBC Bank UK" and "Home: personal, business, online, internet, banking: HSBC Bank UK".

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# Strategy 8. Search-Term Targeting Strategy

In the final section on targeting through paid search, we outline alternative approaches to target different types of phrases that users search on. Balancing click volume, cost and quality is a constant battle.

## 8.1 Introduction

Targeting for paid search is about how to best match your ad creative, landing pages and products or services with prospects searching on particular terms. As such, we have already covered many of the principles of targeting in the sections on Keyphrase Analysis And Selection Strategy, Campaign Structure Strategy and Keyword Matching Strategy.

- Search head versus tail and product terms
- Brand-term targeting
- Demographic Targeting is covered later in the report.

<b>Paid Search Summary Strategy 8</b>	<b>Search Term Targeting</b>	<b>Applies to: All search networks and content networks</b>	<b>Level:</b>  2/5
What is it?	Reviewing approaches to use different types of search terms to target particular prospects or behaviours.		
Example	The term 'laptops' is a high volume search head term, the term 'sony vaio VGN-SZ3VWP/X' is a low volume search tail term which also incorporates a brand term		
Best Practice	<ol style="list-style-type: none"><li>1. Ensure your keyword research covers both head and tail.</li><li>2. Selectively target the tail for reaching higher intent searchers, potentially at a lower Cost Per Click.</li><li>3. Ensure your brand terms are protected and consider exploiting competitor brand terms.</li></ol>		
What to watch For	These details are given in the specific sections overleaf.		

## 8.2 Generic Vs Niche - Long-Tail Strategies

Searches in every category follow a long-tail pattern

- an inductive approach where the campaign launches with generic terms in broad match and web analytics provides the means of keyword expansion.
- a deductive approach where you cover a lot of ground by means of keyword multiplication and expansion before narrowing in on performance by using tracking and bid management.

### 8.2.1 Using Search Marketing to Target Customers at Different Points in the Buying Process

Closely related to the long tail of search, is the behaviour of searchers as they search. As someone

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searches over a period of time, they will gradually refine their search.

**Table 23 Example search strategies for search head and tail**

Search phrase	Searches per month	Strategy
Car hire	330,00	SEO
Avis	24,000	SEO (+paid-search)
Cheap car hire France	15,000	Affiliates
Car hire France	10,000	Paid-search
Car hire Paris	500	PPC (+paid-search)

Note: These searches for single month according to Overture ([www.overture.com](http://www.overture.com)). Car hire and car rental are amalgamated in Overture

### Tip 43

Assess how well your analytics provider can discriminate between different referrer sources for the multi-step customer journey

If you have the right tracking system, a useful analysis to perform is that shown in *Figure 35*. This shows the importance of different types of multi-visit purchases and can be used to adjust head and tail strategy (particularly if the number of words in a keyphrase is overlaid).

**Figure 35 Analysis of number of searches, conversion rates and sales. Source: MediaVest (<http://www.mediavest-manchester.co.uk/>) AdTech London 2006**

Number of total searches	% of total traffic	% convert to sale	% don't convert	% total sales
1	67%	52%	82%	59%
2	17%	22%	12%	20%
3	7%	10%	3%	9%
4	4%	6%	1%	4%
5	6%	10%	1%	8%

### Search strategy targeting head phrases

*Figure 19* suggests that an essential search strategy which will help companies generate volume is to concentrate on the 'Search head'. This will also be where your costs are, so it makes sense to pay attention to this.

### Key Recommendation 54

Concentrate on top 10-20% of keywords by volume to manage costs and ROI.

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# Part 3: Budget and Bid Management for Paid Search

In the third part of our guide we'll show you how to create a budget and allocate it across a campaign. We will also cover setting position strategies, bid policies and bid management.

Managing bid costs is a key paid search activity, particularly since the competitive nature of bidding has given rise to increased CPC. *Figure 37* shows that over 40% of paid search marketers find the increase in CPC costs as a challenge although 25% do not.

Some further insights from the research<sup>23</sup>, show that this increased bid inflation may make it impractical to bid on generic terms:

“The rising cost of CPC is one of the main factors. Also involved is the volume of competition entering the marketplace, thus reducing our overall volume of impressions/clicks.”

“The increasing spiral of CPC for established markets and incorrect information within some ads intended to drive traffic at all costs.”

“Google generic terms are rapidly becoming cost prohibitive.”

“Increasing awareness from our direct competitors and as we grow, we are entering new markets with new competitors.”

“The competitive landscape - everyone is bidding for obvious keywords. Everyone is after Page 1 on Google.”

The main strategies which will help you manage budgets and bids for paid search are as follows (we will explain these five strategies in more depth):

## Strategy 9. Budgeting strategy

Budgeting strategy involves setting the right level of investment in paid search and allocation of this budget between the different paid search networks and the campaign components within the structure of the account.

In this section we look at setting the right overall level of investment in paid search and also in setting the right bidding or price levels for when your ads are clicked upon or displayed.

## Strategy 10. Listing position strategy

Through targeting specific positions in the sponsored listings such as top 2 or 3-4 for specific phrases you can balance your click volume against your costs to make best use of your budget.

In this section, we will review different listing position strategies and how you can best achieve your target positions.

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## Strategy 11. Bidding strategies

Advertisers bid on specific key words to achieve the listing position that they want according to their Budgeting strategy and their Listing position strategy.

In this section we look at how to decide on the amount bid based on the value you are generating from paid search and how to deal with bidding wars.

## Strategy 12. Dayparting strategy

Dayparting is a crucial aspect of paid search marketing for companies using paid search to drive transactions. Considerable variations in media consumption and user behaviour during the day is the reason why this is so important.

In this section we explain how to assess whether dayparting is worthwhile and also discuss approaches to dayparting.

## Strategy 13. Bid management tool strategy

Bid management systems are almost essential for any organization that pays for tens of thousands of clicks each month across many keywords. Bid management tools are software or web based services which partially automate the management of paid search advertising across a range of paid search networks by applying rules to display ads for specific keyphrases at particular bids, positions and times to achieve specified business aims such as maximising ROAS, ROI, profitability, etc.

In this section, we review the advantages and disadvantages of bid management systems and introduce some of the most widely used bid management tools.

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# Strategy 9. Budgeting Strategy

Budgeting strategy involves setting the right level of investment in paid search and allocation of this budget between the different paid search networks and the campaign components within the structure of the account.

In this section we look at setting the right overall level of investment in paid search and also in setting the right bidding or price levels for when your ads are clicked upon or displayed.

To be able to budget appropriately requires a sound approach to your **Strategy 1. Goal-Setting and Tracking Strategy**. If you can't place a financial value on the clicks you are generating from paid search then any budgeting will only be based on your gut-feel.

Paid Search Summary Strategy 9	Budgeting Strategy	Applies to: All search networks and content networks	Level:  2/5
What is it?	Setting the right level of budget for paid search within your organisation and different products and services within your portfolio.		
Example	Ultimately this is the £,€ and \$ an organisation spends on campaigns in relation to other E-marketing tools and their marketing budget as a whole.		
Best Practice	<ul style="list-style-type: none"> <li>1. Use Return on Investment models and profitability to determine budget, do not base investment on paid search as a fixed percentage.</li> <li>2. Compare spend and return to leads and sales targets for other media.</li> <li>3. Use paid search as a contingency to make up shortfalls against targets</li> <li>4. Within Google AdWords ensure you set the right Daily Budget to maximise your display of ads.</li> </ul>		
What to watch For	<ul style="list-style-type: none"> <li>a. Try to educate campaign managers to allocate budget to paid search as part of a media budget.</li> <li>b. Don't base the budget on your existing market – identify opportunities to target new audiences, new geographies or niche products which are more difficult to sell through existing distribution channels.</li> </ul>		

## 9.1 Budgeting Approaches

### 1. Fixed budget.

For companies relatively new to paid search marketing, a small fixed test budget is often available to try to generate results from paid search. A fixed budget is also common where paid search is relatively unimportant to sales.

### 2. Category lead or sales targets.

Many businesses will allocate budget according to their monthly or weekly targets for different product categories. The investment in search can reflect these priorities. Of course, paid search is one of the most flexible and responsive marketing techniques, so it can be used as a contingency approach to meet shortfalls provided you have a good idea of the level of leads or sales that will be generated for a given investment.

#### Tip 45

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Use paid search as a contingency to make up shortfalls against targets.





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### 3. Offline campaigns.

Volumes of sales or leads for different product categories will naturally vary according to burst campaigns which are planned for different times of the year.

Econsultancy's 'Managing an E-commerce team'<sup>24</sup> research showed that many companies have not yet evolved their marketing organisations and approaches to integrate their offline campaigns with online campaigns. So you should try to take advantage of budget available from these campaigns.

This topic is covered further in the section on Marketing Campaign Integration Strategy.

### 4. Chasing new opportunities.

Here paid search is used to target new areas to achieve incremental revenue by targeting audiences you can't readily reach through existing sales channels.

### 5. Optimising paid search budgets according to results.

Here budget is optimised according to different aims we covered in the section on **Strategy 1. Goal-Setting and Tracking Strategy**.

### 6. Lifetime Value

A crude form of budget reallocation can be performed manually, but it is time-consuming. This is where bid management tools really show their value since they were built to help with this task. See the section on Bid Management Tool Strategy.

## 9.2

## Setting the Right Daily Budget in Adwords

Setting the appropriately daily budget in AdWords is performed at the campaign level.

Google will try to help by setting a Recommended Daily budget, but remember that this is only an approximation. Google AdWords generally errs on the side of not spending too much of your budget, which means that it's recommended daily budget may be an underestimate of what is required to display your ads all the time. The result could be underbudgeting, which is where your ads are not displayed throughout the day because your specified budget is too low.

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<http://www.e-consultancy.com/publications/paid-search-marketing-ppc-best-practice-guide/>

<sup>24</sup> <http://www.e-consultancy.com/publications/managing-ecommerce-team/>





# Strategy 14. Ad Creative and Copy Strategy

Effective creative development for paid search text ads is a great challenge for the copywriter.

In Google Adwords you have just 95 characters to be creative with your creative text – 25 for the headline hyperlink, 35 each for the first and second description line and a further 35 characters for the destination URL. Even SMS marketers have more characters to play with! It is also a challenge since potentially tens, hundreds or even thousands of ads may have to be written.

In this section, we cover how to create and optimise stand-out ads which generate the right clicks for you.

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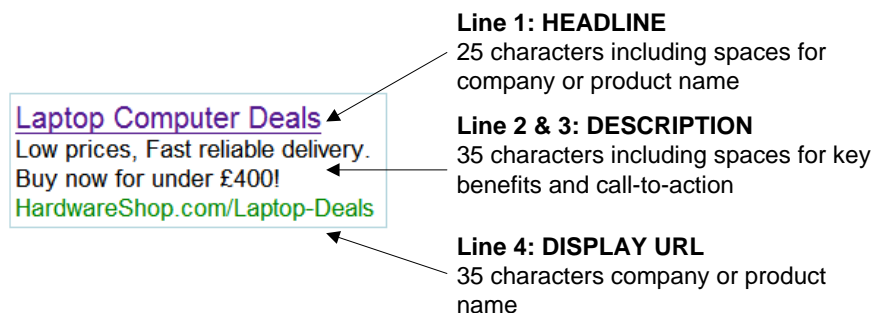
## 14.1 Introduction

Although the space constraints make it challenging, paid search text ads are a great medium for copywriting since you can deliver personalised, relevant and timely messages that are delivered to your audience while they are in research or buy mode. But you can only do this if you have a sound Campaign Structure Strategy and if your internal resource or the agency puts a lot of effort into copywriting and they are rewarded for it.


Given the number of ads it is also worth putting time into developing rules for effective ad structures which have been tested and optimised. This is often not the case and it seems as if ads are developed on the spur of the moment!

Paid search summary: <b>Strategy 14</b>	Creative	Applies to: <b>All search networks and content networks</b>	Level:  <b>2/5</b>
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What is it?	Writing and revising the text ad copy for paid search campaigns to maximise results.		
Example:	<i>Figure 2</i> shows example creative for a Google AdWords ad.		



*Figure 2* Example Google AdWords creative showing main components

<b>Paid search summary:</b> <b>Strategy 14</b>	<b>Creative</b>	<b>Applies to:</b> <b>All search networks and content networks</b>	<b>Level:</b>  <b>2/5</b>
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What is it?	Writing and revising the text ad copy for paid search campaigns to maximise results.
Best practice:	<ul style="list-style-type: none"> <li>• 1. Deliver relevance through matching the search terms to the ad copy, typically by including search terms in title and description.</li> <li>• 2. Demonstrate value in the ad copy to give a 'reason to click'. What can you offer for 'Free', e.g. free shipping, free insurance, free guide.</li> <li>• 3. Demonstrate your credibility and points of difference as a supplier if possible.</li> <li>• 4. Achieve standout through visual tricks like capitalisation and ampersands.</li> <li>• 5. Optimise all of the ad components – headline, description and display URL to improve performance.</li> <li>• 6. Where appropriate and practical put the price or a price range in the title description which will attract buyers (at the right price of course).</li> </ul> <p>Many more practical points follow below.</p>
What to watch for?	<ul style="list-style-type: none"> <li>• a. Improving ad clickthrough rate will not necessarily improve conversion rate. Ad creative revisions should be tested against conversions.</li> <li>• b. How effective your ads are overall will depend on how well they integrate with landing pages.</li> <li>• c. The ability to target ads through copy is dependent on your campaign structure.</li> <li>• d. New ad formats like video and image ads are available through the AdSense content network which may help cut-through – these are not referenced in this guide.</li> <li>• e. There are many constraints on ads in the different search programmes – you need to work within these and push them to the limit.</li> <li>• f. Brands can be powerful in the title if they are well known and trusted.</li> </ul>

### 14.1.1 Why is Ad Creative so Important for Paid Search

Improving creative is well worth the effort since this can positively impact your Keyword's Quality Score in two ways to help your position in the sponsored listings. First, more relevant copy which stands out can increase clickthrough rate, and secondly and less important, if the ad text is consistent with the keyword then Google says this also contributes to the Quality Score.

## 16.1 Account or Campaign Performance Review Process

The timing and depth of campaign reviews will depend on the on size of the search account and importance of search to the business.

Agencies we spoke to said that typically there would typically be a weekly or monthly review with the client depending on client, but of course ongoing daily review of the account.

- 1. Overall account performance.**
- 2. Business priorities including future marketing campaigns and promotions.**
- 3. Detailed account performance.**

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# 4. Identification of problems and opportunities.



# Strategy 20: Affiliate Integration Strategy

Many organisations who use paid search also use affiliate marketing where there is a commission-based arrangement where the merchant pays the affiliate per click, lead or sale. Affiliate marketing can be powerful in extending your reach and share of search, but there are challenges in controlling costs and avoiding conflicts.

In this section we briefly review the advantages and disadvantages of affiliate marketing and then review strategies which explain how affiliate and paid search marketing can both work well together.

## 20.1 Introduction

You need to consider affiliate marketing to improve your results from SEM since the main benefit of affiliate marketing is that potentially it increases your reach or share of search. It can also increase visibility for a particular search phrase since affiliates may be displayed in the listings for target keyphrases when you are not, or they may be alongside your results, giving more opportunity for the searcher to visit your site.

You need to balance the potentially higher cost of customer acquisition required by affiliate commission compared to direct search to the site through the natural listings or paid listing. But affiliate marketing can potentially be cheaper than other forms of promotion for example affiliates perform better in the natural listings for a phrase compared with you.

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# Glossary

## **301 Redirect (permanent redirect)**

Interpreted by search engine robot that the current domain is no longer valid. All links to the domain (and PageRank) are typically assigned to the site which is pointed to by the redirect. Used to amalgamate PageRank and give a single URL for a company or group of products. This redirect is implemented on the server (server-side).

## **404 Page not found**

An error issued by a web server when there is no page at this address. A custom 404 page can be created to indicate to the user that the page is no longer available and to give choices for alternative information.

## **A/B Testing**

A/B or AB testing refers to testing two different versions of a page or a page element such as a heading, image or button. The alternatives are served alternately with the visitors to the page randomly split between the two pages.

## **Active Google ads**

Ads are displayed within the Google Adwords programme in response to a search within the search engines since they meet the Quality-Based Minimum bid criteria. See also Inactive Google ads.

## **Ad text relevance**

Ad text relevance is a Google-specific concept, it describes the degree of match between the words in the ad creative compared to the search term entered. Improved ad text relevance improves the Quality Score.

## **Affiliate marketing**

Typically, a commission based arrangement where referring sites (publishers) receive a commission on sales or leads by merchants (retailers). A lead may be based on data captured during an enquiry, or it could be simply a visitor to the site (a click), in which case it overlaps with paid-search marketing.

## **Agency commission**

Paid to search agencies by the search networks borrowing a similar model to traditional media owners rewarding media buyers for selecting their media. Is evolving, with Google currently offering 'Best Practice Funding' in Europe favouring most rapidly growing companies and innovators.

## **Allowable cost per customer acquisition (Allowable CPA).**

The maximum acceptable cost for gaining a new customer typically based on consideration of the average order value and/or lifetime value for gaining that customer type.

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### **Strategic target keyphrases**

Important target keyphrases that are targeted for SEO and potentially paid search since they combine high volume and intent to purchase or other required site outcome, consistent with usage by the site's target audience.

### **Temporary (session) cookies**

Cookies used for tracking within pages of a session such as on an E-commerce site

### **Third-party cookies**

Cookies served by another site to the one the user is currently viewing – typical for portals where an ad network will track remotely or where the web analytics software places a cookie. These are typically persistent cookies.

### **Trusted feed**

A trusted feed is an automated method of putting content into a search engine index or an aggregator database.

### **Underbudgeting**

Your ads are not displayed throughout the day because your specified budget is too low.

### **Universal Search**

The natural listings incorporate other relevant results from vertical searches related to a query, such as video, books, scholar, news, sitelinks and images.

### **URL parameter-based tracking.**

The referrer and details of the search are indicated in the URL tracking parameters (query string) and the sale is monitored once the user is on the site, either through placing cookies or tracking the visitor through some form of session identifier which is part of the content/commerce management system.

### **User agent**

The client application or software service which initiates a request for a web page. Examples include web browsers and spiders.

### **Usability**

An approach to website design intended to enable the completion of user tasks and to improve the user experience. Typically measured by increasing task completion rates and decreasing completion time (or number of clicks).

# About Econsultancy

Econsultancy is the leading source of independent advice and insight on digital marketing and ecommerce.

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## About the lead author and expert review team

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Over the last 10 years, Dave has trained or consulted on the full-range of online marketing approaches with a range of B2C and B2B companies from well-known brands to smaller businesses. Companies he has worked with include 3M, Actel, Bank of Scotland Corporate, BP, CIPD, CMP Information, Eurooffice, HSBC, MessageLabs, Siebel Systems and Tektronix. He is a prolific E-business author whose books include *Internet marketing: Strategy, Implementation and Practice*, *E-marketing Excellence*, *Total E-mail Marketing*, and *E-business and E-commerce Management*.

*“Dave layers a keen understanding of marketing with in-depth technical and heuristic knowledge about doing business on the Internet. Top down or bottom up, Dave has an astonishing grasp of strategy as well as tactics”.*

**Jim Sterne, Internet Marketing Pioneer, Chairman of the Web Analytics Association ([www.webanalyticsassociation.org](http://www.webanalyticsassociation.org)) and organiser of the annual E-metrics summits ([www.emetrics.org](http://www.emetrics.org))**

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# The Expert Reviewers

Dave compiled this report with the aid of an expert team of contributors and reviewers ranging from clients, search agencies, consultants and digital marketing agencies to ensure the recommendations reflect current best practice. Dave and Econsultancy are very grateful for the detailed input provided by many contributors. The expert reviewers are:

Name	Company	Company background/Experience.
Edward Cowell	Neutralize (*\*) <a href="http://www.neutralize.com">www.neutralize.com</a>	Full-service search engine marketing agency. Teddie is technical director.
Vince Coyle	Eurooffice <a href="http://www.eurooffice.co.uk">www.eurooffice.co.uk</a>	Vince is online customer acquisition manager.
Caroline McGuckian	Wheel <a href="http://www.wheel.co.uk">www.wheel.co.uk</a>	Wheel is a full-service online marketing agency. Caroline is Media Director.
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Anders Hjorth	Relevant Traffic <a href="http://www.relevanttraffic.com">www.relevanttraffic.com</a>	Anders is European Research and Production Director.
Arjo Ghosh	Spannerworks <a href="http://www.spannerworks.com">www.spannerworks.com</a>	CEO Spannerworks. Arjo is CEO. The guide was reviewed by several members of the paid search team.
Phil Robinson	Clickthrough Marketing <a href="http://www.clickthrough-marketing.com">www.clickthrough-marketing.com</a>	Full-service search engine marketing agency. Phil is Director.
Mike Rogers	Optimize <a href="http://www.optimize.co.uk">www.optimize.co.uk</a>	Full-service search engine marketing agency. Mike is Director.
Andrew Girdwood	Bigmouthmedia <a href="http://www.bigmouthmedia.com">www.bigmouthmedia.com</a>	Bigmouthmedia – The Full Search Agency. Andrew is Head of Technical Search.

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