Paying Per Click

In This Chapter

* Pay-per-click basics
* Figuring out how much a click is worth
* Creating ads that are acceptable
* Automating pay-per-click campaigns

Here's a quick way to generate traffic through the search engines: Pay for it. *Pay-per-click (PPC)* campaigns provide a shortcut to search engine traffic, and many companies, particularly large companies with large marketing budgets, are going directly to PPC and bypassing the search engine optimization stage totally.

In this chapter, you examine these PPC programs, discover their advantages and disadvantages, and find out how and where to employ them. It's an overview, of course. If you decide to spend money on this form of advertising, I recommend that you read the quite splendid *Pay Per Click Search Engine Marketing For Dummies* (Wiley Publishing, Inc.) by, um, me.

Defining PPC

If you use PPC advertising, you pay each time someone clicks on one of your ads. Figure 18-1 shows search results at Google, and Figure 18-2 shows results for the same search at Yahoo! You can see that many of the search results on these pages are actually ads. They're placed mainly based on pricing. (*Google AdWords,* as their PPC ads are known, is a special case, as I explain in a moment.) In other words, rather than going through all the trouble of optimizing your site and getting links from other sites into your site—the things that are explained in most of the rest of this book—you can simply buy your way to the top of the search engines! Maybe.

Figure 18-1: Pay-per-click placements in Google.

Figure 18-2: Pay-per-click placements in Yahoo!.

Here's how it all works:

1. You register with a PPC system, provide a credit card number, and then load your account.
2. You create one or more ads—providing a title, body text, and link to the page to which you want to direct visitors.
3. You associate keywords with each ad.
4. You bid on each keyword.

PPC advertising was simpler a couple of years ago. When you bid on a keyword, you were bidding on a position. Figure 18-3 shows how this used to work in Yahoo!; it's a list of keywords in the Yahoo! Search Marketing PPC system. The very first entry shows how much you are willing to bid on the keywords *web strategy.* In other words, if someone searched for *web strategy,* you were willing to pay $1.51 if that person clicks your ad. In this case, because the other people bidding on the term aren't willing to pay that much, Yahoo! lists your ad at the top. You can see how much others are willing to bid in the Top 5 Max Bids column.

Figure 18-3: Bidding on keywords at Yahoo!

This is how it used to work; you'd bid on a keyword, and if your bid was higher than the next guy, your ad would be placed higher. The highest bid got the top position; the second bid got the second position, and so on.

But over the years, PPC has evolved into something slightly different. Google began by modifying the bidding system. When Google has to position your ad for a particular search result, it chooses the ad position partly based on your bid price, but also partly on the *click rate* or *click-through rate*—the frequency with which people have clicked on your ad in the past. You may bid more than someone else may, but it might still be placed below the lower bidder if your ad has had a low click-through rate in the past. As Google puts it, "The most relevant ads rise to the top . . . Your ad can rise above someone paying more if it is highly relevant for a specific keyword."

Over the years, both Yahoo! and MSN have also moved toward this process, so now your bid price is not the only factor that determines where your ad is positioned. The *quality* of the ad—how well it convinces people to click on it—also affects the position.

The big question, of course, is how much should you bid? Here are a few things to consider:

* You must understand how much a click is really worth to you; most companies don’t know this. I discuss this issue a little later in this chapter.
* The higher your position, the more traffic you are likely to get.
* In general, if you're not in the first three positions, there's a good chance your ad won't be seen often and will get *dramatically* lower click-throughs. Google, for instance, syndicates their top three AdWords to sites like AOL. Yahoo! displays the top three (sometimes four) results at the top of their search results.
* Sometimes, you may want to take position 3 because you want to be in the top three, yet position 1 is just too expensive. Many PPC marketers like positions 5 and 6; they still get a lot of clicks, but at a much lower price than higher positions.
* Other times, you may notice that position 1 is just $0.01 more than you’re already paying; it may be worth paying the extra $0.02 to leapfrog the current bidder, just to boost your click-through.

The two types of ads

Most Tier 1 and Tier 2 PPC systems (see “The three PPC tiers,” later in this chapter) now have two types of ads:

* **Search engine ads.** The search engine placements you saw earlier in this chapter.
* **Contextual or content match ads.** Ads placed on Web sites other than search engines. Figure 18-4, for instance, shows Google PPC ads—Google AdWords, distributed through the Google AdSense program—on a vitamin supplements Web site (see the *Ads by Google* tags).

Figure 18-4: Google AdSense placements.

In fact, you can sign up to run these ads on your Web site through Google's AdSense program (~~adsense.google.com~~) if you’d like to make money by running ads on your site. Sign up for this program, and Google examines your pages to see what ads are most appropriate for your page content. You place a little bit of code in your pages that pulls ads from the AdWords program, and Google automatically places ads into your page each time the page is loaded into a browser. If someone clicks the ad, you earn a little bit of the click price.

From the PPC advertiser's perspective, though, you should understand that these ads are probably not as effective as the ads placed on the search engines. Some advertisers claim that people who click these content ads are less likely to buy your product, for instance, than those who click the same ad at the search engine. You can turn off content ads if you wish, as many advertisers do. I recommend that you begin your campaign with the content ads turned off; when you get rolling, you can experiment with content ads. Either way, make sure you track the content ads carefully to ensure they're really working for you.

Pros and cons

What's good about a PPC campaign?

* **It's faster.** It's a much quicker way to begin generating traffic to your Web site—hours or days, compared to weeks or months through *natural search,* as unpaid search results are often known in the business.
* **It's much more reliable.** With a natural search, you may exert huge effort (read, expense) and not do well. With PPC, you get what you pay for. If you're willing to bid high enough, you'll get the traffic.
* **It's more stable.** A site can do well in natural search results on one day, and then disappear on the next. With PPC, as long as you're willing to pay, your site is there.
* **Some people click on PPC ads rather than the organic search results.**

What's bad about PPC?

* **You pay.** You have to pay for every click, which can add up to a great deal of money.
* **It's getting pricier.** Sticker shock is likely to get worse over the next year or two. Most people still don't even know what PPC is; wait and see what happens to pricing when PPC is as well known as other forms of advertising.
* **It's a crapshoot.** PPC doesn't always work, as you see later in this chapter—it's not possible for every company to buy clicks at a price that is low enough to be profitable.
* **It's not organic.** Many people prefer the free, natural search results—from 30 percent to 70 percent of all searchers (according to some research), depending on the search engine and type of search—so you're missing part of the market if you focus on PPC alone.

<Tip>

Ideally, PPC should be one part of an overall marketing campaign—it should be combined with the other techniques in this book. Many companies spend huge sums on PPC, yet totally ignore natural search, which can often be managed for a fraction of the sum.

The three PPC tiers

The PPC companies are *networks;* that is, they place ads on multiple search sites. Yahoo!, for instance, places ads not only on the Yahoo! Web site, but also on AltaVista, CNN, InfoSpace, Juno, NetZero, Dogpile, ESPN, and many others.

The other major service, Google's AdWords, appears on Google, of course, but also on AOL, Ask.com, EarthLink, CompuServe, Netscape, Excite—even on Amazon.com. In fact, Google has a service called AdSense, which allows virtually any Web site to carry Google PPC ads.

I think of the PPC market as being split into the following three tiers:

Tier 1

Tier 1 comprises three companies:

* Yahoo! Search Marketing at ~~SearchMarketing.Yahoo.com~~
* Google AdWords at ~~www.AdWords.com~~
* Microsoft AdCenter at ~~AdCenter.Microsoft.com~~

These three systems are responsible for more PPC placements than all the rest of the networks combined. They’re also the most expensive. A click that costs $0.05 on a Tier 2 or Tier 3 network may cost $2.00 on the major systems.

Tier 2

Tier 2 comprises a handful of smaller networks that may still channel decent traffic to you at much lower prices:

* **Ask.com:** ~~SponsoredListings.Ask.com~~
* **Miva:** ~~www.miva.com~~
* **Enhance Interactive:** ~~www.enhance.com~~
* **ePilot:** ~~www.epilot.com~~
* **7Search:** ~~www.7search.com~~
* **ABC Search:** ~~www.ABCSearch.com~~
* **Searchfeed:** ~~www.searchfeed.com~~

Tier 2 networks can't channel as much traffic as you would get by bidding for first position on Yahoo! or AdWords. However, in some cases, they can send as much traffic as you're getting on those two behemoths, simply because you can't afford the big guys' top price per click.

ePilot, for instance, places ads on YellowPages.com, Locate.com, Search Bug, and so on. They may be small, little-known sites, but according to ePilot, the 100 or so systems they work with amount to almost 700 million searches a month. Enhance claims 1 billion searches throughout its network each month, on sites such as EarthLink and InfoSpace.

Tier 3

<Warning>

Finally, Tier 3. There are many other PPC networks—hundreds, in fact. Some are little more than a scam, encouraging the unwary to pay a setup fee with little real hope of ever getting any traffic.

On the other hand, many can generate a little traffic for you each month; the problem, however, is that you'll spend a huge amount of time managing these Tier 3 companies. In general, it's not worth working with the Tier 3 company directly; rather, it's possible to work with a company that will sell you clicks at a fixed rate, and then gather these clicks from a wide array of Tier 3 PPC systems. (You can find a huge list of PPC systems, over 200 at the time of writing, at ~~payperclicksearchengines.com~~.)

Where do these ads go?

Refer to Figures 18-1 and 18-2, which show examples of ad placements. Ad placement can vary quite a bit from site to site. Typically, on Google, the first three ads are placed at the top of the search results, and then other ads are run down the right side of the page.

Do the same search at AOL, though, and you find the first three PPC ads are at the top of the page, followed by a whole bunch of natural search results—that is, results that were not paid for—followed by another four or five Google AdWords PPC ads at the bottom of the page. At Ask.com, you find that three PPC ads are at the top, and five are on the bottom. Again, ads run in different positions on different sites, and of course, all this varies periodically. The general trend over the last year has been to stuff more and more ads into search results pages. Some small sites run nothing but paid ads in their search results.

Generally, it's obvious that these placements are paid ads. In most cases, the ads are preceded by the words *Sponsored Links, Sponsored Web Results,* or something similar. In fact, the Federal Trade Commission mandates some kind of indication that a placement is paid. Despite that, there's a definite movement afoot to make it less and less obvious that more and more ads are appearing. AOL, for instance, currently hides all indication of sponsorship unless you actually point at the ad, which causes the ad background to turn gray and the words *Sponsored Link* to appear to the right of the link.

On some small systems, PPC ads run without *any* notification that they're ads. You probably won't see that happen on the large search sites, or with ads being fed by Google AdWords and Yahoo!, but some of the smaller ad networks evidently have lower standards.

By the way, the ads I've shown so far are simple text ads, but PPC companies are starting to allow advertisers to include logos, for instance.

It may not work!

> *"Half the money I spend on advertising is wasted; the trouble is, I don't know which half."*
>
> John Wanamaker, 1838-1922

John Wanamaker's store in Philadelphia—imaginatively named *Wanamaker's*—was probably the world's first department store. He later opened one in New York, and was eventually the Postmaster General, but he's probably best remembered for the preceding quote. (Come on, be honest. Isn't that why you remember him?)

Wanamaker was almost certainly correct. Half (at least) of the money spent on advertising doesn't work, in the sense that the monetary value derived from the advertising is less—often considerably less—than the cost of the advertising. Back in Wanamaker's day, there was very little way to track advertising success. Even today, it's hard to know for sure if advertising works—except for direct mail and online ads. Because it is possible to track viewers' reactions to ads online in various ways, it's possible to track results very carefully, which is how we know that billions of dollars were wasted on banner ads in the last few years of the last century!

And those days are being repeated, thanks to the latest online ad fad, PPC search engine advertising. The boom in banner advertising in the years 1997 or so to 2000 was based on a simple principle: There's always some other idiot who's willing to pay ridiculous advertising rates because he doesn't know any better. The same thing is happening with PPC ads.

Now, I'm not suggesting that you shouldn't use PPC advertising, or that some people aren't using it successfully—some definitely are. I'm just suggesting that you should be careful. In the days of the banner-ad boom, companies were paying excessively for ads, often with little regard (it seemed) for the *metrics* (that is, the measurements; the payoff). And today, many people are paying too much for their clicks, and prices are on the way up.

<Remember>

If someone is paying $1.50 per click for the keywords in which you're also interested, do not assume that you should pay $1.51. A few things to remember:

* As weird as it may seem, many companies are losing money on their clicks. One company I spoke with was spending almost $300,000 a month on PPC advertising, realizing that they were losing money on the clicks; but, the VP of Marketing told me, they "have to keep the leads coming in." (I'm sure many of you who spend your days working in corporate America will find this easy to believe.)
* Some companies don't care if they make money on a click; they regard it as merely part of their branding campaign—if a company is used to spending hundreds of millions of dollars on TV ads, for instance, it may not care too much about tracking the direct benefits of a few million spent on PPC ads.
* Even if the company is making money on the clicks (I know another company spending $150,000 per month on very successful PPC ads), that doesn't mean *you* can make money based on the same click payment.

The last point is essential to understand. Say Company A sells books about rodent racing, making $10 per book after paying production costs. Company B sells racing rodents, and it makes $200 for every racer it sells. The book company is out of luck; there's no way it can compete for clicks against Company B. Company B could pay $50, $100, or more on clicks for every sale it makes; clearly, Company A couldn't.

<Tip>

Here's a quick rule: If your average profit per sale is $10 or $20, then a PPC campaign probably won't work for you. (Probably. It just might, but it's unlikely.)

Ideally, before you begin a PPC advertising campaign, you really should know what a click is worth to your company (realistically, however, this isn't always possible). In the next section, I discuss the value of clicks.

Valuing Your Clicks

In order to calculate a *click value*—the maximum amount it's worth spending for a click—you have to work your way backward from the end result, or the action taken by a visitor to your site.

The value of the action

Every commercial site has some kind of action that the site owner wants the site visitor to carry out: buy a product, pick up the phone and call the company, enter information into a form and request a quote, sign up to receive more information, and so on. You have to understand the value of this action.

Say you're selling a product. How much would you pay me if I brought you a sale? Perhaps you have a product that sells for $50, and it costs $25 to create (or buy) and ship to a customer. Your gross profit, then, is $25, so you could afford to spend up to $25 to get the sale without losing money.

However, the value of the click may actually be higher than this. Imagine, for a moment, that if you sell a product for $50, you have a one-third chance of turning the buyer into a regular customer, and you know that regular customers spend $50 with you every 3 months for 18 months on average. Thus, the lifetime value of your new customer is actually $150, not $25 ($25 per month for 18 months, divided by 3).

<Warning>

Don't let some Internet geek convince you that you should take into consideration lifetime value. If you know you truly do have a lifetime customer value, that's fine, but many millions of dollars have been spent on online advertising based on the concept of an assumed lifetime value, when in fact there was little lifetime value beyond the first sale.

Of course, you may not be selling a product online. You may be gathering leads for your sales staff, or getting people to sign up for a catalog, or taking some other action that isn't the end of the sales process, but in some sense, the beginning. This is more difficult to project; although, if you're working in an established company, it's information you (or someone in your organization) may know. How much does your company pay for sales leads? Most medium-to-large companies know this number.

Your online conversion rate

You have to know your online conversion rate, which you may not know when you begin your PPC campaign. If you have an established Web site that has been in business for a few months or years, then this is useful information that someone in the company should have. For every 1,000 people visiting your site, how many carry out the action you want (buy, call, sign up for more information, and so on)? How many visitors do you convert to customers or sales leads or subscribers (or whatever)?

I said, "For every 1,000 people," not "For every 100 people," for good reason. It may be a number below 1 percent. It may only be 7 or 8 out of every 1,000, for instance. I mention this because many people new to e-commerce do not realize that this is very much a numbers game, and that very low conversion rates are common. Sure, some businesses convert a much higher proportion of their visitors; but many businesses convert 1 percent or less. One would expect that businesses wanting people to fill in a form (to get a quote for insurance or mortgage rates, for instance) would have much higher conversion rates than companies selling products. (One company in this business told me its conversion rate is around 30 percent, for instance.)

<Remember>

Remember that e-commerce is in many ways much closer to the direct mail business than the retail store business. Although people often talk about online stores, commerce sites really are much more like online catalogs. In particular, they share the characteristic of low conversions. The success of direct mail campaigns is often measured in fractions of a percent because it often is online, too.

Figuring the click price

For a company selling a $50 product and making $25 per sale, you can assume that this company doesn't care about the customer's lifetime value, as indeed many small companies don't. (Most of their sales are one-off with little repeat business, or they can't afford to invest in lifetime-value customers anyway; they have to make money on every sale.)

You can also assume that this company has figured its conversion rate is around 2 percent; 1 out of 50 visitors buys the product. You know that each customer is worth a maximum of $25; therefore, a visitor is worth fifty cents ($25 divided by 50).

That is, $0.50 is the most the company could spend for each site visitor without losing money. (The company isn't actually *making* money, of course, and I've left out consideration of the cost of running the Web operation and other company overhead.) If this company discovers that it can buy clicks for $0.75 cents or a dollar, clearly it's going to lose money. If clicks are $0.25, and if these numbers hold true, then it stands to make a gross profit of $12.50 for every sale.

Different clicks equals different values

The preceding is a simplification, of course. In fact, different visitors to your site may be more or less valuable to your company. If Visitor A goes to your site after being told by a friend that your site "sells the best rodent-racing handicap software on the Web," Visitor A is likely to be pretty valuable because he might buy several of your company's products or become a repeat customer. *Much* more valuable than Visitor B, who clicked a link or banner ad that reads something like, "Ever Thought about Rodent Racing?" Visitor A went out of his way on the recommendation of a friend, presumably because he's interested in rodent-racing handicap software. Comparatively, Visitor B may simply be wondering what these idiots are talking about.

It's likely that search engine traffic is actually more valuable than the average value of a visit to your site. Whether a click on a PPC ad or a natural search result, people who come to your site after searching for a particular keyword are likely to be more interested in your products and services than someone who simply stumbles across your site.

Some large companies spend huge amounts of money trying to analyze their traffic carefully—they want to know where every visitor comes from and exactly what each does. Unfortunately, it's difficult for small companies to do this, but at least you need to be aware of this issue when selecting keywords for your PPC campaigns. Note also that the major PPC systems provide additional services that allow you to track results—systems that will help you see what people do when they arrive at your site. You can see how many PPC visitors actually buy your products, for instance, which gives you a solid idea of your site's click value.

They Won't Take My Ad!

One of the most frustrating things to deal with when working with a PPC network is having your ads dropped because they don't match the network's standard. Or, as often happens, because one of the company's editors *thinks* the ad doesn't match the network's standards, or even because your Web site isn't acceptable.

<Remember>

While some of the Tier 2 networks are much less fussy, Google, Yahoo!, and MSN have very strict guidelines about what sort of Web page or Web site your ads can link to. Each network is different, but the following are the type of things that can kill your ad campaign on one of the top PPC networks:

* Your site requires a password. Personally, I think if you're stupid enough to point an ad to a password-protected Web site, the PPC network should take your money and run.
* Your site's content doesn't match the ad. Perhaps you have a very weak ad that simply doesn't provide much information about the subject area you're advertising.
* Your ad contains abusive, objectionable, or threatening language.
* Your site appears to facilitate the use or distribution of illegal drugs. Yahoo!, for instance, won't take ads for sites that sell kits intended to help people cheat on drug tests.
* The landing page specified in your ad doesn't contain content related to the ad or have an obvious path to the related content.
* You used a trademarked term in your ad, but there's no content related to that product on your Web site.
* Your ad doesn't explain that the product you're selling on your site can only be shipped to a very limited area.
* Your site includes multilevel marketing. Such sites aren't allowed to use the terms *job* and *employment* on some PPC systems, but may use the terms *business opportunity* and *work.*

* You don't own the page you are linking to. Rules vary between systems; if you're an affiliate, you may have to link to your own page and then direct visitors to the retailer's site, for instance.
* The ad promises information that isn't on your site, but that will be delivered in some manner—by e-mail or snail mail, for instance—and the ad doesn't state that fact.
* Your site doesn't function in Internet Explorer.
* You're using a term that isn't allowed for your business. For instance, a finance company may not bid on the word *car* at Yahoo!
* Your auction site bids on terms related to products not currently on sale at the site.
* Your site contains content that may not be legal, is in some other way objectionable, or links to such a site.
* Your ad contains *superlatives* (biggest; best; greatest), ALL CAPS, or exclamation points!
* Your Web site disables the browser's Back button.
* Your Web site contains many broken links or malfunctions in some other way.
* Your ad's language doesn't match the language of the target Web site. If your ad is written in Spanish, it can't direct people to an English-language Web site.
* Your ad contains contact information, such as phone numbers and e-mail addresses.
* Your site spawns a pop-up window when the visitor arrives.

Phew! This isn't all of it, either.

Super-lative

What makes following the rules all the more difficult is that the editors enforcing the rules often don't have a full understanding of the rules themselves. One Yahoo! editor may tell you that *all* superlatives are banned; another might tell you that they're okay in some contexts. An ad I ran for a client used the term *largest warehouse,* which I was told was okay by one editor after having the ad killed by another. (It was okay, I was told, because it was a "secondary superlative" that didn't directly relate to the search term. That's one of the unwritten rules you just have to stumble across.) And in another ad, the term *our latest discounts* became a problem. "Other companies may have more recent discounts," I was told. After pointing out that the superlative referred to my clients' discounts, not everyone else's, they let it through. And when advertising a product in the city of Superior, Colorado, the ad was killed because the word *superior* is a superlative! PPC editors are a huge frustration for many PPC marketers; it seems that everyone managing large PPC campaigns has their own "stupid PPC editor" story!

<Tip>

Check your ads carefully after they've been accepted. Editors may change things without telling you, sometimes turning your finely tuned prose into something significantly different.

Why are the PPC networks so fussy? Surely, if you're paying, who cares if your site is broken or if your ad isn't relevant to the keywords you chose? It's your money, after all. Well, the networks are trying to achieve the following:

* They want as many of the ads as possible to be clicked; they don't want to clutter that valuable advertising space with irrelevant ads that nobody clicks because the networks are paid only when a searcher clicks.
* They want to protect the relevance of the search results. PPC ads now make up a significant proportion of search results. (In many cases, in particular with the smaller PPC networks, 100 percent of the first screen of results seen by the searcher is paid ads.) So, it's as important for paid results to be relevant as it is for natural search results.

Automating the Task

Working with PPC campaigns can be rather tedious. Ideally, you've got to keep your eye on the rankings each day or your ad could slip. In very competitive markets, it may be necessary to check several times a day. You may be using half a dozen systems, too. If you're working with thousands of keywords (one client has 4,000-5,000 keywords to manage), that's a huge job.

<Tip>

How do you handle all this without it getting totally out of control? Here are a few ideas:

* Many companies hire a full-time person, even two or three people, just to manage their PPC campaigns.
* Programs are available that help automate PPC management across multiple systems. Atlas Search (~~www.atlassolutions.com~~) and BidRank (~~www.bidrank.com~~) are a couple of well known systems, but various other products are available.
* Some companies hire a third party to manage their PPC campaigns.

There's no easy answer. Automation software may be a good idea if you have a significant PPC campaign—tens or hundreds of thousands of dollars a month, with thousands of keywords over multiple PPC networks. Having used one of the major automation systems, I have to say it was complicated, buggy, and expensive—not something you would want to use for a simple PPC campaign. (That was some time ago. I'm hopeful that PPC management software is better now.)

Sometimes, it's actually cheaper to hire someone to manage the PPC campaign. One client, spending $150,000 per month on PPC, switched from having another company manage its PPC campaign to doing it itself. I estimated that the employee in charge of the PPC program probably spent 2-3 hours a day managing the program, and after my client realized that it could hire a full-time person to manage the program for 25 percent of what it was paying for another company to manage the PPC campaign, switching was easy!

Some companies use this strategy: They manage Google, Yahoo!, and perhaps two or three of the other, more-productive Tier 2 systems in-house, perhaps using software if they have a very big keyword list. Then they use a PPC management company, or software, such as Atlas Search or BidRank, to buy keywords from the smaller Tier 2 and Tier 3 PPC companies at a fixed price per click. For instance, you may agree to pay $0.35 per click. The management company then uses dozens, maybe hundreds, of smaller systems to get those clicks for you, keeping the difference between what they actually pay for the clicks (perhaps $0.05) and your $0.35.