HVS

MARKET REPORT

Search Engine Marketing - Paid Advertising

OCTOBER 1, 2007

In the never-ending race to online supremacy, if you wish to outbid some of your competitors in obtaining higher keyword positions, you should have a good look at Pay per Click (PPC) ad campaigns.

In traditional print advertising or similar ad vehicles, companies pay for the number of people who are supposed to see the ad, or at least that is what is supposed to happen. With search engine marketing, companies participating in PPC (Pay per Click) programs actually pay the search engines each time people click on their ads. In contrast with other online marketing programs, PPC is more like an ongoing auction, where your competing advertisers, not the search engines, fix the going keyword bid rate.

Search Engine Marketing is becoming increasingly popular among advertisers worldwide. These programs work on an auction model: Advertisers bid for keywords, which when used by Internet users on search engines, will trigger their ads. The ads of the highest bidders, usually, get top billing on search engine result pages for the keywords they have bid on. Advertisers then pay the bid amount for every click that a user makes on their ads.

This system appears to be closer to a performance-based ad program, since companies only pay to actually get eyeballs, and hopefully shoppers into their websites. However, there is a caveat to this. Web visitors who only browse and don't buy anything can quickly dry up an ad budget.

Luckily, there is a way to fight this growing problem. Savvy search engine marketers or their ad agencies need to pre qualify such visitors by writing ad listings that will focus their attention on their real needs. Additionally, when correctly written, these ad listings will give them a better clue on what they will find on your site. If done correctly, your ad listings will be an invitation to buy the products and services you offer, not just to browse around.

There could be several techniques to write your ads correctly. The word "correct" could mean different things for different people – depending upon on the product and requirements. For instance, if you target workers in a manufacturing plant, your writing would be considerably different than if you target the president or CEO of that plant. Doing this will ensure you ad listing will bring in the right targeted audience on your site.

The Long-tail Approach

The term long tail was coined by Chris Anderson in a Wired Magazine article to describe the success of online retailers such as Amazon.com and Netflix.com. Anderson contended that in the physical world, retailers stocked only the bestsellers since shelf space was limited. Online retailers have no such constraints on the inventory that they can stock. As a result, they were able to cater to the narrowest of niches. In the aggregate, these niche markets often proved to be larger than the bestseller or hit market.

Search engine advertising is getting pretty competitive, and the bestselling keywords are becoming expensive. So what exactly is the long tail of search engine advertising? Let's illustrate with an example.

Let's say you sell digital cameras and accessories online. You want to run a search engine advertising campaign. To begin with, let's consider the keyword camera. Let us assume that it's a very popular keyword and costs Rs 50 per click and you get 100 clicks per day. Your cost works out to Rs 5,000 per day. Now what if you have a budget of only Rs 2,500 per day? Check out the tail. Buy lower-priced keywords such as 3 mega-pixel digital camera, 5 mega pixel canon digital camera, Nikon digital slr camera. These keywords will typically be priced much lower than camera. Though each one of them may deliver lower clicks, a collection of long tail keywords will give you 100 clicks for Rs 2,500 (assuming an average price of Rs 25) instead of the Rs 5,000 you would have paid for camera.

Of course, this is a simplistic example, but it brings out the power of the long tail. In search engine advertising, as the cost of popular keywords keeps rising, long tail keywords can be a powerful force.

While, the cost per click of long tail keywords will obviously be lower, there are other compelling advantages as well. Broad-based words such as camera may indeed attract a large number of searches, but the conversion rates could be much higher at the narrow end of the spectrum. When someone is searching for the keyword camera, that person may be searching for anything from camera maintenance tips to camera servicing centers. But when someone searches for 5 mega-pixel digital camera or Nikon digital slr camera, they are looking for a specific product. Clearly, the narrower the search, the more likely they are to convert.

In fact, many experts believe that people who enter long tail keywords are those who are far ahead in the buying cycle. When people begin researching a product they tend to be more broad-based in their queries. But the queries become more and more focused and refined as they approach the end of the buying cycle.

So, it's not just a question of lowering your costs, but it is also about increasing effectiveness and ROI.

Here's another reason why the long tail is important. According to Joe Kraus, a co-founder of search engine Excite, while the top 10 searches were thousands of times more popular than the average search, these represented only 3 per cent of the total volume on Excite. A vast majority - 97 per cent – of its searches came from the long tail, that is, queries asked a little over once a day. According to him, Excite went out of business because it couldn't figure out a way to make money from that long tail. Search engine advertising has become an extremely important tool for any online marketer. That's because it's relatively inexpensive, can be targeted with a fair degree of accuracy to the right audience, and offers the best return on investment. It's also becoming big business.

According to a study by Forrester Research, search engine advertising is expected to become a $11.6 billion industry by the year 2010. So you can imagine the competition that's going to be out there. To win, just grab the tail!