

A White Paper on

Pay Per Click (PPC)

Or How to Get the Word Out

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1. Online Marketing – an introduction

It's been the buzzword for some years, but only recently have we seen it become the life and death of websites. Far away from the Dot Com boom, now we see concerted and continuing campaigns to get a share of the ever increasing online shopping and services market.

Online marketing basically falls into one of 4 groups, each with a very different outcome required.

1. Branding or Brand Awareness
2. Lead Generation
3. Affiliate Sales
4. Direct Sales

All commercial endeavors, and even non-commercial endeavors, fall into one or more of these categories, in that these outcomes form the targeted result of online marketing.

There are so many facets, so many choices and so many styles of online marketing; it generally confuses most of us. What do we need for our business? How many online marketing tools should we use? What should we spend? These are all valid questions and are dependant on your individual circumstances. However, the thrust of this paper is to simply identify 2 main areas:

1. Online marketing tools
2. Costs, statistics, effectiveness.

With the rise of Google to its current position of "World's best brand" with its own name now a recognized verb in the dictionary ("I'm going to google that!"), we even see some smart operators simply saying "Google Orange Socks" in their TV and

Radio ads, instead of www.oursocks.com. Google is so strong it sticks, therefore “google” your best keyword to be found.

2. Online Marketing Tools.

The list encompasses everything from actual web site construction and referring traditional media ads to the site address, through affiliate marketing, blogs, RSS feeds, email marketing, algorithmic (free search listings) and of course Pay Per Click (PPC).

Pay per click is the world leader with Google alone earning some 13 billion USD a year on this method alone. In the English speaking world, others such as Yahoo, MSN, are the other heavyweights, and as you expand the languages you see others such as Baidu in China.

Interestingly, each country and language has its favorites. In Taiwan, use Yahoo, Google is a poor second, but in South Africa, Google is your only choice. In Australia we see Google and Yahoo being the main 2 with much discussion on volumes and share. Yahoo is definitely second, but with its supply of ads to NineMSN, Yahoo7, Microsoft Live, Optusnet etc, it is gaining ground. Google is still the leader though.

3. Costs, statistics & effectiveness.

Now here is a can of worms. Everyone has their pet software, supplier and methods. There is merit to all of them, but when you see the spend models in Australia for last year, you can readily tell what is working best.

Google has become the biggest earner in Australia's digital marketing industry, increasing its paid search revenue to \$206 million during 2006 – an increase of 108% over the previous year.

A special Internet edition of BRW Magazine, in which this estimate has been made, also reveals that eight million Australians – or 76% of the online audience – now use Google every month. BRW magazine stated that they believe the company has an even larger share of the paid search market at 89%.

Former digital earnings leader Sensis, which has an estimated 98% share of the web directory market, largely through Yellow, earned \$192 million from its properties during 2006.

Despite Sensis revenue growing at 36%, its share of the overall digital ad market fell by an estimated 4%.

Other publishers and search providers in the BRW Top 10 include:

#3 – Fairfax Digital: revenue \$115 million, up 77%

#5 – ninemsn: revenue \$92 million, up 39%

#7 – Yahoo!7: revenue \$42 million, up 75%

#9 – News Digital Media: revenue \$34 million, up 26%

The balance comprises Seek (#4), RealEstate.com.au (#6) and Carsales (#8).

Report author Foad Fadaghi said the research confirmed *Search* as the fastest-growing digital advertising sector, now having 23% of the total digital ad market. *Directories* has 15%, *Classifieds* 30% and *Display* 32%.

4. Search – what is what?

Basically there are two types of search results.

- **Algorithmic** – Free, organic listings based on content and relevancy
- **PPC** – Paid listings, based on bid amount, daily budget, market location and relevance

Algorithmic or organic listing used to be the flagship. If your website could be found by typing its name into a search engine, you were a winner. Later, the market expanded and website owners got involved in trying to get their individual products up on free listings. Then, as with most things, competition came up and it was a task to keep your listing there. Then PPC came along. Some companies charge a minimum of \$2,000 per month, just to try to keep your free listings up there, in the top 10. Serious business.

PPC is so simple, it works. The search engines are very happy to find a revenue source from their search listings. Rather than pay for a free listing and fight over positions, they have invented a second column of search results – Sponsored Search. In recent months, we have seen now blue and now yellow (depending on the search engine) bars at the top and even at the bottom of search result pages. Yahoo can now have a client listed 3 times on one page. Once at the top in the blue area, once in algorithmic listings and once at the bottom in the blue bar. Google has not yet pushed this top and bottom for the best, but they have put paid search results on TOP of their algorithmic listings - to look like algorithmic listings perhaps?

Research has shown there is growing confusion in what search result listings are: are they free search, are they Australian, are they paid search? At the end of the day, this PPC model is a simple and budgeted way to get front page listings and to compliment existing site traffic.

4.1 Aims for PPC and Algorithmic

There is a healthy mix of both PPC and Algorithmic involved for successful Internet marketing. Presume you are going to build a new site. The first step for every new site is:

Build a one page site AND test its success (sales) using PPC ads. Once a successful template has been achieved, build the web site on a mix of algorithmic and sales mechanisms. Support the brand name and main products only via PPC whilst algorithmic listings populate. Once algorithmic listings populate, evaluate and refine the PPC campaign. Track and measure (using Google Analytics) and both campaigns will mitigate each other.

4.2 Algorithmic only

The smart people are securing their brand name on their site, and are also securing good listings using product and search term based web sites as subsidiary sites to the main site.

There have been stunning low cost, single page domain based sites, being built that consistently rank in top spot. This is a sound model for expenditure limited presence and when mixed with some creative sales flair in the descriptors and page content, it's a winning formula.

4.3 PPC only

Some sites will never list algorithmically, but of course they are very relevant and sell really well; they perform their functions satisfactorily, probably as a referral base for direct and traditional marketing i.e. Direct Mail, email, TV, Radio or Press. Rather than completely rebuild a working site PPC is the simple answer to front page listings.

Good PPC campaigns start off slowly, on a low budget and should achieve instant results in traffic. Given existing sites have a known “sell : visit” ratio, then this should be achieved by qualified visitors from search engines. As the actual conversion ratios, cost per acquisition and ratio per acquisition are identified, then it is easy for the website owner to calculate the outcome:

$$\text{Amount spent per week (\$)} \times \text{Conversion (\%)} = \underline{\text{Cost Per Lead (\$)}}$$

$$\text{Cost per Lead (\$)} \times \text{Internal sales close rate} = \underline{\text{Cost per Sale (\$)}}$$

Once you have established a Cost per Sale, you can then confidently increase the daily budget exponentially, knowing that for every dollar you spend per sale, you will receive a sale worth x dollars.



5. Hints & Tips

The Internet is well understood by most people now, and we often try to dabble and experiment in most things Internet. As many of us have learnt, it is best to outsource and get better results, than to re-invent our own wheel.

Find your core activity, become outstanding at it, and manage other work through other experts. It's a very good business model. It protects you from exposure to unsuccessful attempts at disciplines that you are not an expert at, and ensures best practice.

6. PPC Tips & Questions.

Here is a quick overview of the pertinent areas for you to consider a successful path to implement and maximize the success of Internet marketing:

1. Choose only Google or Yahoo Qualified service providers. No badge? No start!
2. The higher the badge the more knowledge – that's a fact! Google AdWords Companies have more qualified staff than a Google AdWords Individual. Google Resellers get training straight from Google Staff.
3. Don't do it yourself. This is a full time job that requires daily and hourly work.
4. Match types? Yes, they are vital!
5. Conversions, absolutely the most important part of any campaign!
6. Have you done your required reading this week? If not, get out of the kitchen!
7. Compare with your competitors and peers, their positions, bids, pages, prices and offers.
8. Keyword tools? Do you use them or not, that is the question.

7. The Future

What will it bring? Well, it's not going to go away that's for sure. Google and Yahoo are developing other areas to ensure that Internet search for goods and services continues to grow. Whilst Google is the leader in development, Yahoo is certainly watching and learning. Panama (Yahoo's new PPC management interface) is testimony to this fact.

When you hear what's happening with maps, local search and pay per action, then the future is not only going to hold growth of products, but growth of competence. At the end of the day, all the majors make it easy to spend money. The test is how well you spend your money, and what you get back from it.

What to do next?

To find out how TPP Internet and Hot Goanna can help you to set up adequate online marketing strategies, please call us on 1300 665 491