
Buying your way to the top with Pay Per Click Advertising

Written by Ed Kohler
Wednesday, 30 November 2005
Last Updated Thursday, 08 December 2005

Buying your way to the top with Pay Per Click Advertising

by: Ed Kohler

Imagine if you could advertise ONLY to people who have actually expressed an interest in doing business with you? That's basically what happens whenever a prospective customer or client types a phrase into a search engine that's relevant to your business. But how do search engines decide which sites are worthy of top placement in their search results? It turns out that some of the results are ranked by the search engine's computers while others are simply paid advertisements from companies willing to buy their way to the top using Pay Per Click Advertising.

Pay Per Click Advertising (PPC for short) is an online advertising format that allows you to buy your way to the top of search results pages for search phrases relevant to your business. Businesses buy advertising on specific search phrases, and are then charged each time a person clicks through to their web site.

How does this work?

Try running a search on a major search engine like Yahoo or Google for a common consumer product like "DVD players." When reviewing the results, you'll likely see a set of results labeled as "Sponsor Results" or "Sponsored Link". Some results may appear in the same format as the main search results on the page, while others are listed within colored text boxes along the side of the page. All of those results are paid advertisements from the sites listed within the ads.

The ads are ranked based on how much a business is willing to pay to advertise on each search phrase. In the example search for "DVD players" the current top advertiser is currently paying \$0.81 per click – one penny more than the #2 advertiser.

The ads are purchased through pay per click advertising suppliers, and the two largest happen to be owned by Google and Yahoo. Google's program is called Adwords and displays results on Google.com, AOL, Ask Jeeves, many smaller search engines. Yahoo's program is run by an acquired company called Overture, and the results appear on Yahoo, MSN, AltaVista, and many other syndication partners.

Why should I pay for traffic?

For businesses that have had success with search engine optimization, the idea of paying for visitors is not particularly enticing. However, if you can make more money off a visitor to your web site than it costs to get them there, why wouldn't you pay for those visitors? Keep in mind that you can choose exactly what search terms you want to advertise on, and you only pay when a searcher actually clicks on your ad, so it generally comes down to deciding how much you can afford to spend for those visitors rather than whether it's worth doing at all.

How much should I spend?

The main factors influencing how much money can be spent on a PPC campaign are:

1. How many searches are conducted per month using phrases relevant to your business?
2. How much are you, along with your competitors, willing to pay for those terms?

The average monthly ad spend on PPC advertising is a couple thousand dollars, but this varies immensely from less than \$50/month for regionally targeted and niche businesses to millions a month by large national retailers.

The goal of any advertising campaign should be to bring in more money from the campaign than it costs to run it. Pay Per Click is no different, but the level of detail you can measure in PPC is significantly higher than most types of advertising. For example, with relatively inexpensive (some are even free) tools, you can determine which ads are generating sales or leads for your business. Beyond that, you can determine how much money you spent on a specific ad to generate a sale or a lead. By measuring what's working, you can aggressively advertise on terms that prove to be winners for your business while shutting down ads that don't deliver.

Tips for Success

1. Advertise on a large number of relevant search phrases. Brainstorm beyond the first dozen terms that come to mind to describe your business. Advertise on the terms used to describe your products, the product names, product codes, and the questions a prospect might type into a search engine that your services answer, and more.
2. Build unique ads for each search phrase. It takes a lot more time to write a unique ad for each search phrase relevant to your business rather than creating one ad for all of your search phrases, but the extra work will definitely be rewarded. Ads that are aligned with the corresponding search term receive more clicks, which will mean more targeted traffic, and in some cases paying less per click (on Google Adwords) due to the intricacies of how the advertising is priced.
3. Send visitors to the most appropriate page of your web site. If you place an ad for a specific product within your online store, don't send visitors to your homepage and force them to dig for what they just searched. This will frustrate your visitors and increase the chance that they'll hit the dreaded Back button.
4. Track your results. Spending money without measuring the return on your investment is not a good business practice. At the very least, consider installing the free tracking tools available through Google Adwords and Overture to measure which terms are delivering results for your business. Beyond that, consider using a 3rd party statistics tool with conversion analysis to compile the results of your various pay per click programs into one easy to manage interface.

People are searching for what you sell at this very moment! If your site is not showing up near the top of the results, your competition thanks you.

About The Author

Ed Kohler is the President of Haystack In A Needle, Inc., a web marketing firm in Minneapolis, MN, offering search engine optimization and pay per click advertising consulting services.

HaystackInANeedle.com

kohler@HaystackInANeedle.com

