Is Your Paid Search Advertising Generating Positive Financial Results?

As an online business, you may be familiar with or currently utilize "pay for performance" search engines to send visitor traffic to your website. Also known as pay-per-click, PPC or paid search, it has literally taken the online marketing world by storm especially the two largest players, Overture and Google Adwords.

A 2004 "New Methods in Search Marketing" study by Piper Jaffray stated that "paid search constitutes more than 87% of U.S. search market revenues." This staggering statistic begs the question, "Are advertisers achieving a positive return on their paid search investment?" In other words, are sales being generated or is money just being spent?

The answer to this question may stem from understanding the role of the two critical performance metrics generated by all paid search campaigns (1) click-through rate and (2) website conversion.

The click-through rate is defined as the percentage of times a paid search ad is clicked on out of the total number of paid search ad views within a given period of time.

Click-throughs *(i.e. Total Visitors)* / Impressions = Click-through Rate (a.k.a. CTR)

For example, if your paid search ad is seen by 10 users and one user clicks on your ad, the click-through rate is 10 percent.

Website conversion is defined as the percentage of users who visit your website and complete your primary objective (i.e. purchased a product) out of the total number of users who visit your website in a given period of time.

Sales / Click-throughs *(i.e. Total Visitors*) = Website Conversion (a.k.a. sales conversion)

So what role does each play in understanding the effectiveness of a paid search campaign?

Standard practice among advertisers is to concentrate on writing ads that achieve a high click-through rate to send more visitor traffic to their website. Unfortunately this general assumption, "more traffic equals greater positive results", is flawed.

Consider this. Which click-through rate is better?

- A 20% click-through rate for a paid search ad that achieves zero sales (0% website conversion.)

OR

- A 0.2% click-through rate for a paid search ad that achieves 10 sales (10% website conversion).

The answer is obvious. The click-through rate, especially for newly setup PPC campaigns, is relative – it is the website conversion rate resulting from visitors clicking through a particular paid search ad that defines success or failure.

Successful paid search advertisers take a different approach. They start with the end in mind by asking, "what primary objective do I want a visitor to complete on my website?" and then they work backwards. They identify the type of visitor and buying behavior that will most likely result in a completed action (i.e. sale, registration, etc.)

In addition, they perceive their ads as automated salespeople who "qualify" visitors. Regardless of a high or low click-through rates, the focus is on generating a positive return from the advertising dollars spent.

For instance, let's review two different ads. Ask yourself, which ad best qualifies visitors?

A. Pride Scooters
Low prices and huge selection of
scooters and other mobility equipment.

B. Pride Scooters
From $1850 while stocks last.
Houston, Texas, USA.

If you selected B. you are correct.

Ad B. qualifies visitors based on their buying behaviors and customer type most likely to purchase a Pride Scooter from the business' website.

First, the ad states a price point (i.e. from $1850) to attract visitors seeking the website's premium product while disqualifying ones seeking discounted or lower-priced scooters. A user researching scooters does not have to click-through the ad to find out a general price range.

Second, the ad targets a geographic region since the majority of people who buy scooters demand an actual test ride. If the company is located in Houston, Texas then users from other locations will not feel compelled to click-through the ad. *(Ideally a geographically-targeted PPC campaign like using Google Adwords Regional-targeting works best in this situation).*

In essence, ad B.'s goal is to pay "per click" for only visitors most likely to purchase their product. This ad attempts to "filter" unqualified visitors thereby increasing the return on investment per click-through.

Ad A. instead spends money on attracting and generating click-throughs from all visitors and relies on the website to filter qualified versus unqualified ones. This is not a wise economical approach especially if no "visitor exit strategies" are pursued.

Last, successful paid search advertisers rely on testing different ads to determine which appeal generates the best website conversion for a particular keyword. They rely on actual visitor feedback to help them determine which appeals are most effective. Once a positive return is achieved then focus is shifted to increasing the click-through rate for the best converting keywords so more sales can be realized.

So "Are you spending money to bring just anybody to your website or visitors ready to buy from you?" Think about ..is Your Paid Search Advertising Generating Positive Financial Results for your website?

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