

Searching for the Right Marketing Mix

The second of a four-part series of white papers

Over the past five years, paid search advertising has emerged as a powerful medium to help businesses that are marketing products and services online realize measurable and manageable results, conclusively proving that it generates targeted leads and complements brand-building campaigns.

A decade ago, in the early days of the Internet, many marketers initially tried to use the emerging World Wide Web as they would any other medium, filling ad space with banners and then measuring impressions.

In 1998, Overture, then known as GoTo.com, developed a search engine that ranked results on a bidding system by keyword, creating the first pay-for-placement search advertising product. In the Overture marketplace, the highest bidder on a keyword gets the top position in the paid listings when a user searches for that keyword. Advertisers pay only when users click on their listings, a system that's become known as "pay-for-performance."

Overture distributes its listings through partnerships with portal Web sites, Internet service providers and destination sites. The company has seen its original concept grow into a multi-billion-dollar industry, fueled by the more than 300 million Web searches performed in the U. S. every day, according to New York-based Jupiter Research. The pay-for-per-

formance search model has also been emulated by a number of other companies.

The Power of Search

Not unexpectedly, the U.S. Commerce Department reports that the most common use of the Internet, besides e-mail, is to search for information.

Consequently, it makes sense for advertisers to want to incorporate Internet searches into their marketing programs.

"It is no surprise that search should have arisen as the more popular place to advertise online," says Matthew Berk, a senior analyst with Jupiter Research.

"The emphasis has shifted. No more pop-ups, no more banner ads," Mr. Berk continues. "Advertisers realize that to maximize for the medium, you need to incorporate relevance into the sponsorship program. When someone types in a company name or a product, that is the most powerful time to expose that person to a relevant message."

The audience for paid search listings is tremendous: About 120

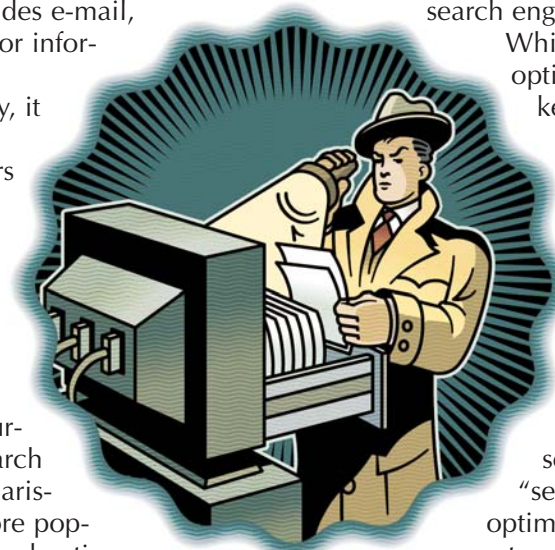
million Americans already use search engines monthly, according to a Nielsen/NetRatings report released in January 2003. A separate Graphics, Visualization & Usability (GVU) Center study recently showed that 85% of users first discover Web sites through search engines.

While there are options for marketers trying to get their listings higher in traditional algorithmic search results—such as "paid inclusion" products and the services of "search engine optimization"

experts—pay-for-placement search listings can simply bypass these efforts, because the advertiser is listed at the top of search results for specific keywords that the advertiser chooses.

Additionally, search advertising offers unique value because it is much more highly targeted than even catalog mail, trade magazines, opt-in e-mail or direct mail. Another key difference is that search has active, not passive, user participation.

When marketers use the Yellow Pages or direct mail campaigns, the marketers themselves do most



of the work in connecting with potential customers; they track response rates by phone and/or mail, and pay whether leads are generated or not.

On the other hand, when marketers use pay-for-placement search, the prospects find the marketer, responses are tracked in real-time using online tools and advertisers pay only when a lead visits the marketer's Web site.

As a result, search advertising offers a highly targeted and highly measurable direct-response marketing vehicle with a greater return on investment than traditional forms of direct marketing such as direct mail. Budgets and campaigns for search advertising are more manageable because marketers can eliminate the need for production of materials, buying mailing lists or paying for postage.

The potential reach for search advertising also continues to grow significantly, making it comparable to any other mass medium. Jupiter Research, in its "Marketing & Branding Forecast: Online Advertising & E-mail Marketing Through 2007" report, predicts that the online population in the U.S. will reach 218.6 million in 2007, up from 141.3 million at the end of 2001.

Advertisers Find Instant Results

"Using pay-for-placement advertising is a no-brainer from the start," says Alan Dockrill, e-business manager of TCS West in Calgary, Alberta.

TCS West, a Canadian firm that equips businesses with voice and data communication products, initially struggled to find the right online advertising vehicles and a formula to position itself higher in search engine results before dis-

covering Overture and trying pay-for-placement search.

Today, the company attributes 85% of its e-sales to its pay-for-placement search listings with Overture, and has expanded its campaign to include more than 100 keywords.

"To be found on a search engine is the No. 1 priority to market our products online," Dockrill says. "When customers do searches, they seek you out. In other advertising, you, as the marketer, are searching for customers."

TCS West tried banner ads and opt-in e-mail campaigns with mixed results. The company reports that the conversion rate for paid search is more than double other Web and print advertising vehicles, while the ROI is 277 times higher than other advertising previously used by the company.

TCS West has used paid search advertising for less than a year, but Mr. Dockrill says the company has already shifted its entire online marketing budget to search. "This is directly targeted with measurable success. With e-mail blasts and banner ads, it was hit or miss. It was not the type of sustained marketing that pay-for-performance search advertising provides."

Another Overture advertiser, Colin Kendrick, executive director of the Austin Music Foundation in Austin, Texas, says that his organization started with the intention of using the Internet to help local artists find a global audience for their music. While the non-profit foundation has used print ads and promotional events to try to build awareness, Mr. Kendrick says that it is search advertising that has yielded the type of results needed to help the group reach its potential.

"What we do is revolutionary. We are creating local music incu-

bators, but we are the first local art form that has global reach via the Internet," Mr. Kendrick says. "We want to help artists have a sustainable career doing their art, and you can't do that without an audience. The Internet has redefined community and audience in terms of music."

The subtlety of pay-for-placement search advertising is particularly important for the Austin Music Foundation, since one target audience is young kids looking for "the next best thing," an audience traditionally jaded toward commercial advertising. Mr. Kendrick says that pay-for-placement search has more than paid for itself by generating leads for donations and new members, who join after finding the group through sponsored search listings.

TCS West and the Austin Music Foundation are examples of how paid search is proving that it offers marketers a cost-effective form of online advertising with measurable results.

Branding Impact

Although it's clear that pay-for-placement search is a powerful tool for direct response marketing, some have questioned its ability to influence branding. But those offering paid search point out that search listing are among the first opportunities a company has to introduce itself online to a prospective customer.

"The title and description that people click on are not that different from the headline and body copy of a print ad," says Craig Wax, senior director of marketing for Overture Services in Pasadena, Calif. "This is more targeted, because the person reading it is looking for it. And appearing at the top of a search brings a much

higher level of awareness for a business than an online banner ad or tile.”

While paid search’s impact on branding efforts may not be immediately clear, Mr. Wax contends that branding is really a series of events that begins with awareness and moves to an emotional connection, both steps of which can be accomplished through pay-for-performance listings.

Further evidence was provided by an NPD Branding Study in February 2001, in which search listings were shown to more than double the awareness of, likelihood to visit and overall preference of a company’s ad when compared to online banners or tiles.

Jupiter’s Mr. Berk says that paid search should be “one arrow in the larger quiver” of marketing vehicles used by marketers. Pay-for-placement search, he adds, also is moving beyond performance to “true value” for marketers. “People go to the site, register, come back, they buy and you know how much they

buy. This can then correlate with what a marketer spends and what a marketer gets back in value.”

Although still in its infancy compared to other well-established forms of advertising, pay-for-placement search has surpassed competing methods in terms of satisfaction levels among marketers. In a Market Facts Inc. survey of Overture advertisers in October 2002, paid search was given a 78% satisfaction rating. In contrast, e-mail/newsletters were rated at 35%, search engine optimization services rated at 34%, and cost-per-click banner ads rated at 33%.

Clearly, search advertising has quickly established itself as a critical element of almost any business’ marketing plan, meeting and exceeding advertiser objectives in the areas of direct response, promotions, and branding.

Coming next: Optimizing Search

Overture, The Leader in Search Advertising

Headquartered in Pasadena, Calif., Overture is the world's leader in pay-for-performance search on the Internet. The company facilitates about 563 million paid online connections between marketers and their targets each quarter. With offices around the world, Overture's search engine advertising network services 80,000 advertisers that want their message displayed to search engine users who search a specific term. Overture provides the downloadable reference sections on search engine marketing below and additional information about the company can be found on its Web site at Overture.com.