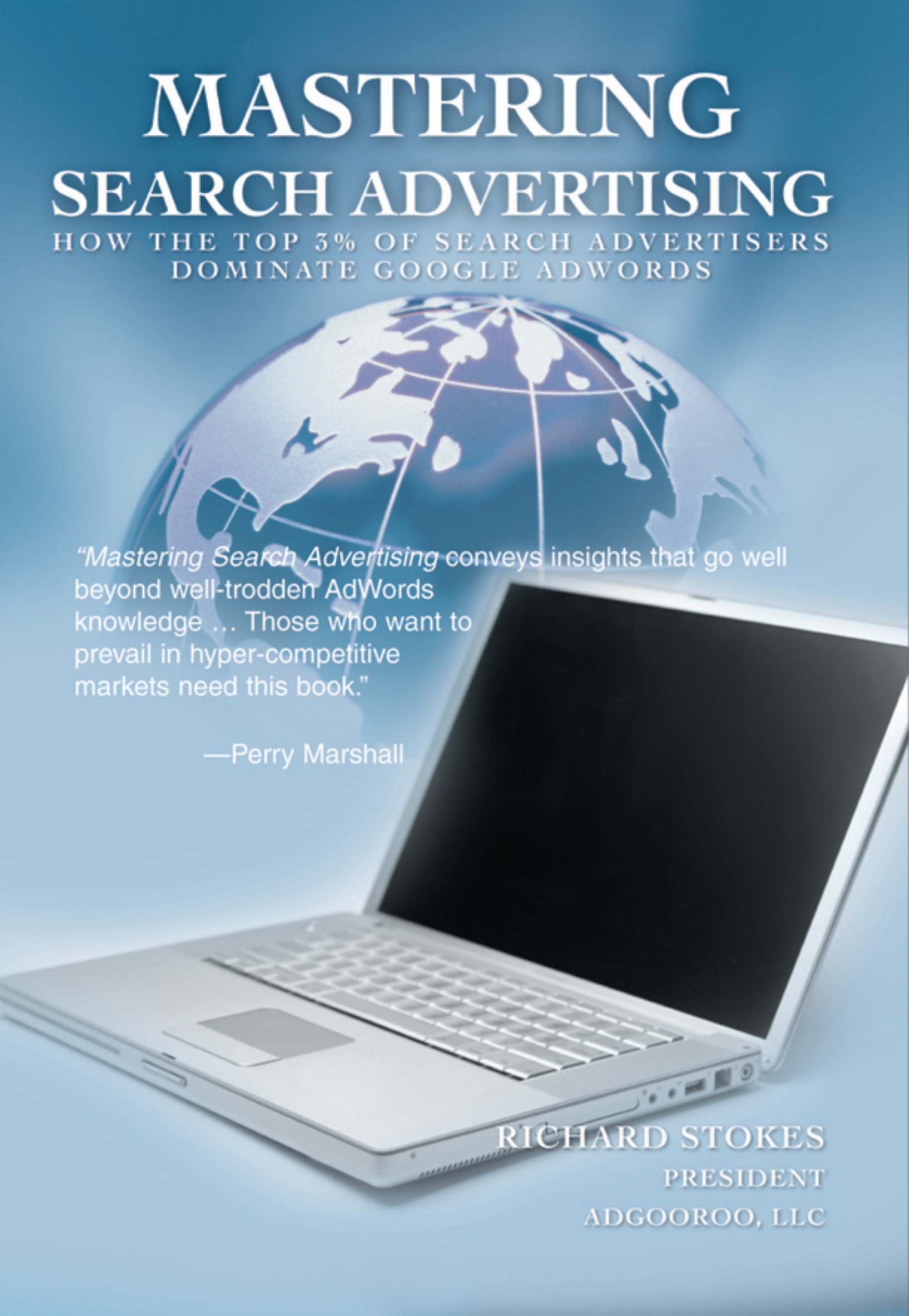


MASTERING SEARCH ADVERTISING

HOW THE TOP 3% OF SEARCH ADVERTISERS
DOMINATE GOOGLE ADWORDS



“Mastering Search Advertising conveys insights that go well beyond well-trodden AdWords knowledge ... Those who want to prevail in hyper-competitive markets need this book.”

—Perry Marshall

RICHARD STOKES
PRESIDENT
ADGOOROO, LLC

PRAISE FOR “MASTERING SEARCH ADVERTISING”

“A must-read for Google AdWords novices—cuts the learning curve by months. Kudos, Rich!”

—David Szetela, CEO, Clix Marketing

“I love your book Mastering Search Advertising. It conveys a ton of insights that go well beyond well-trodden AdWords knowledge. It puts hard numbers on a lot of things that I’ve believed but been unable to prove, about what makes the top 3% dominate the search engines. Many clever tips on the types of people who search, keyword research, bid position, budgeting, ad exposure and the nuances of the AdWords formula. Those who want to prevail in hyper-competitive markets need this book.”

—Perry Marshall, Author of “Ultimate Guide to Google AdWords”

“Your book totally blew me away. What a well researched, truthful, and up-to-date guide for pay-per-click marketers. I particularly liked the part about coverage. A stunning piece of work.”

—Mike Mindel, CTO, Wordtracker.com

“Backed by years of experience and quality research, Richard Stokes outlines the unwritten rules of pay-per-click advertising and puts the odds squarely in your favor. Every chapter is filled with useful ready-to-apply information. Whether you’re just starting off or you’re a seasoned pay-per-clicker, Mastering Search Advertising will increase your traffic, your performance, and ultimately your bottom line. So get excited, read this book, and put its lessons to work.”

—Mark Lipowski, Managing Partner, Stone Interactive Group

“Mastering Search Advertising is a great wake-up call for SEOs and internet marketers on the importance of statistical analysis, keyword and searcher segmentation. It explains how your ROI can increase exponentially by understanding not just where you are in the results but also who your visitors are and what they’re doing when they click to your site.”

“This book is a valuable addition to any internet marketer’s arsenal and can help you not only target the right traffic, but also make the most of the traffic you have already. The ROI you’ll get from reading this book is probably higher than that of any of your other marketing efforts.”

—Dave Davies, CEO, Beanstalk Search Engine Positioning, Inc.

“I’ve made some major changes to raise conversion and lower costs, implementing most of what I found in your book. It’s working ...! Yesterday we got record hits and costs were OK. Today, I’ve even lowered some bids and CTR is still high.”

—Nigel Witham, Nigel Witham Photography

“Mastering Search Advertising by Richard Stokes is a must have for any serious PPC or Internet Marketer. Unlike traditional literature it doesn’t just recite common facts you can find around the internet but goes into in depth unique statistics, and experiments that outline the differences individual changes can affect your campaign and ultimately your bottom line. His experiment conclusions can literally save you thousands of dollars a month while driving even more traffic to your online properties!”

—Daryl Quenet, Quenet Consulting

“Keeping a little ahead of conditions is one of the secrets of business.”

—Charles M. Schwab

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Dominate Google AdWords

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PRESIDENT
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iUniverse, Inc.
New York Bloomington Shanghai

Mastering Search Advertising
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ABOUT THIS BOOK

We assume that you know the basics of paid search. In particular, you should understand the mechanics behind setting budgets, selecting keywords, and writing ads. If you're confused by any of these terms, now is the time to point your browser to www.adwords.com for introductory information.

ABOUT THE AUTHOR

An Internet marketer for more than thirteen years, Richard Stokes is the founder and president of AdGooroo, LLC, a leading provider of search marketing intelligence. Prior to founding AdGooroo, Richard was a senior technology executive at Publicis Groupe/Leo Burnett. He has a BS in computer engineering from the University of Illinois and an MBA in entrepreneurship and technology management from the Kellogg Graduate School of Management (Northwestern University). Richard is a regular speaker on search marketing topics and is certified as a conversion optimization professional.

ABOUT AdGOOROO

Based in Chicago, AdGooroo provides competitive intelligence to search engine marketers through its suite of products, including AdGooroo Express, SEM Insight, and Trademark Insight. Over 1,000 companies rely on these keyword tracking tools and other unique products to provide them with quantifiable insights they can use to rise above the competition and build a long-term competitive advantage in search engine marketing.

LEGAL NOTES

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FOREWORD

In the early 2000s, after many stops and starts, I hit my first major-league home run on the Internet with a Web site I created reviewing antivirus software.

I was among the first wave of early adopters taking advantage of Google AdWords to drive cheap, targeted traffic to my Web sites. AdWords was wildly profitable back then. It was easier, as well. No matter how sloppy you were, you could make money. But my competitors caught on quickly and raised the bar.

But even as search got more difficult, profits continued to climb. Why? Because I had made it my business to study the search tactics my competitors were using. Each time they tried something new—whether it was a new keyword, better ad copy, or a specific bidding strategy—I tested it and applied the winning practices to my own campaigns.

By 2005, the PC security industry had topped out, yet I continued to pull in good profits while many of my competitors stopped advertising all together.

Some magic marketing technique did not afford me this success. Rather, I achieved it by being just a little bit better than each of my competitors. I surmised that if I could discover their best tactics and apply them to my campaign, then, taken together as a whole, this would put me far ahead of the pack.

The question is, how was I going to do this?

When I started out, I searched high and low for software that would tell me what my competitors were doing. There was nothing available, so I designed it myself and hired a developer to program it for my personal use.

By the end of my first year of business, this software allowed me to grow my sales sixfold. I remember cashing a check for over \$97,000 while working less than ten hours a week. I realized that this technology could probably help many other companies as well. AdGooroo was born.

We sold AdGooroo quietly at first, word-of-mouth only. But as time passed we acquired more customers. Today, our software is used by over thirty of the top fifty agencies in the world, as well as hundreds of other consultants, agencies, and advertisers.

We're larger now, but I continue to run our PPC campaigns. I talk daily with other search marketers. I attend at least five tradeshow a year. And, of course, I have insider access to the search marketing activity and rankings of virtually every industry. From this vantage point, I have the luxury of seeing what works and what doesn't.

In this book, you're going to learn strategies that you can tap into that will start paying off *immediately*. I selected these strategies to share with you because none of them requires expensive software or a lot of time to implement. (Of course, you can multiply your results by incorporating third-party software or spending more time, but it's not necessary to turn a good profit.)

With this guidance, you can propel your business into the top tier of search advertisers. Let's get started.

1

JUST HOW FAIR IS SEARCH ENGINE ADVERTISING?

We set out to answer this question with a study we conducted in December 2007. We measured both the number of competitors in a wide variety of industries and each advertiser's *coverage*¹—the percentage of the time that each company's ads appeared when people searched on related keyword phrases.

There is nothing inherently unfair about search engine advertising; everyone in the market has access to the same knowledge, the same training materials, the same experts, and so on. It would be reasonable to assume that advertising exposure is fairly well distributed among all participants in the marketplace.

We were shocked to learn that it's just not so.

A FEW ADVERTISERS DOMINATE ALL THE REST

In industry after industry, we found that a few advertisers stood out over all their competitors. In nearly every industry, fewer than 2% of advertisers appeared more often than 20% on the search engine results pages (with one notable exception—car rental—which is clearly one cutthroat business):

1 The concept of *coverage* is important, so we'll devote an entire chapter to it later.

Coverage > 20%

| Industry | Dominant Advertisers | Total Advertisers | Percent |
|---------------------|----------------------|-------------------|---------|
| Car Rental | 14 | 175 | 8% |
| Car Insurance | 7 | 573 | 1.2% |
| Consumer Loans | 2 | 775 | .3% |
| Online Education | 6 | 277 | 2.1% |
| Online Movie Rental | 2 | 438 | .5% |
| Tax Preparation | 2 | 453 | .4% |
| Web Hosting | 3 | 758 | .3% |
| Weight Management | 9 | 666 | 1.4% |

Coverage > 15%

| Industry | Dominant Advertisers | Total Advertisers | Percent |
|---------------------|----------------------|-------------------|---------|
| Car Rental | 22 | 175 | 12.3% |
| Car Insurance | 9 | 573 | 1.6% |
| Consumer Loans | 4 | 775 | .5% |
| Online Education | 7 | 277 | 2.5% |
| Online Movie Rental | 4 | 438 | .9% |
| Tax Preparation | 5 | 453 | 1.1% |
| Web Hosting | 11 | 758 | 1.5% |
| Weight Management | 9 | 666 | 1.4% |

Coverage > 10%

| Industry | Dominant Advertisers | Total Advertisers | Percent |
|---------------------|----------------------|-------------------|---------|
| Car Rental | 24 | 175 | 13.7% |
| Car Insurance | 15 | 573 | 2.6% |
| Consumer Loans | 8 | 775 | 1.0% |
| Online Education | 12 | 277 | 4.3% |
| Online Movie Rental | 8 | 438 | 1.8% |
| Tax Preparation | 13 | 453 | 2.9% |
| Web Hosting | 18 | 758 | 2.4% |
| Weight Management | 16 | 666 | 2.4% |

Even when we lowered our threshold to include advertisers whose ads appeared for only 1 out of 10 searches (10% coverage), we could find no industry in which search engine ads were equitably distributed among its various advertisers (although car rental industry again came closest).

In nearly every industry, fewer than 3% of the advertisers virtually shut out their competitors from much of the available search traffic.

WHO ARE THESE SUCCESSFUL SEARCH MARKETERS?

Does it surprise you to learn that in nearly every industry an elite group of advertisers exist who dominate the search engine ads?

Here are some of them:

- Car Insurance: NetQuote, GEICO, Liberty Mutual, Esurance
- Consumer Loans: MyCashNow, DiscountAdvances.com
- Online Education: PhoenixDegrees.com, PhoenixDegreesOnline.com, eLearners.com, ITT Tech
- Online Movie Rental: Netflix, Target
- Tax Preparation: TurboTax, TaxACT

- Web Hosting: Go Daddy

SUMMARY

Did you notice something interesting about that list?

Many of the winning advertisers who are quietly trouncing their competitors are *not* big-brand Fortune 500 companies. They are small startups, even individuals, who excel at search advertising.

Prepare yourself to learn their most important strategies.

2

How Do You GOOGLE?

Before you create your first campaign, choose your keywords, or write a single ad, you should understand the basic mechanisms behind how people search.

The psychology of search is a deep subject, but fortunately for us a few smart marketers² have come up with an easy-to-understand and surprisingly practical framework that anyone can use to create powerful campaigns from scratch.

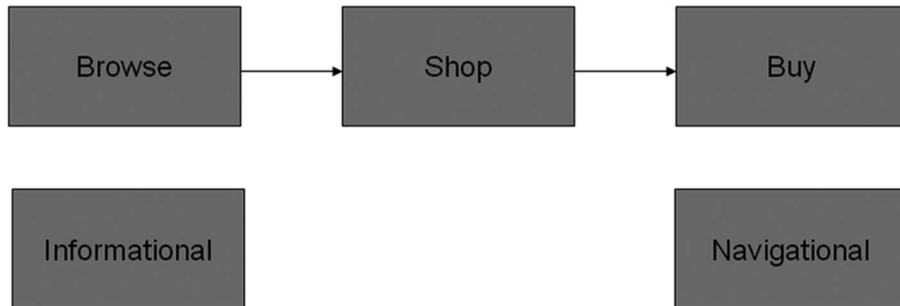
This model forms the foundation for keyword selection, ad copy, and even bidding strategies. It takes only a few minutes to learn, and the payoff is well worth it.

THE CUSTOMER LIFE CYCLE MODEL

This model of search behavior postulates that there is a correlation between the phrases that people type into search engines and their intent to purchase. In other words, you can guess how likely it is that someone will purchase from you based on their search phrase.

Under this model, search engine users tend to fall within one of three primary categories or two secondary categories:

² The original model of search behavior was created by Andrei Broder, who wrote about it in his paper “A taxonomy of web search” while working for AltaVista Corporation. It has evolved over the years and today is in widespread use among many top-tier search agencies.



Browsers are in information-gathering mode. The search phrases they enter tend to be short and not very specific (e.g., *Las Vegas*, *coupons*, *spyware*, etc). This group is least likely to make an immediate purchase, so aggressively promoting products to them is not the best approach.

Because browsers are generally looking for information rather than commercial offerings, they tend to click on natural results more often than ads. When they do click on ads, they will often click more than one as they gather as much information as possible. They usually start at the top of the page and work their way down (becoming more selective as they go along).

The browse group is closely related to the *informational* group. The difference is that the former are potentially buyers, whereas people in the informational group are highly unlikely to buy at all. People interested in celebrity gossip are an example. It would be difficult to monetize this group of visitors in any other way than through contextual or banner advertising.

Most people using search engines fall within one of these two groups, but you're far more likely to make a sale to a *shopper*. These people have an identified need and are considering their options. They are often using a search engine to compare different products or services.

You can almost think of shoppers as tire kickers. They might be seriously interested in buying now or later, but the immediate need is to assess their options. By appealing to that information-gathering need, you can often convert them to buyers (or at least capture their information for when they are ready to buy).

Ready to learn more? Purchase this book at Amazon.com or look for it at most major bookstores:

<http://www.amazon.com/Mastering-Search-Advertising-Advertisers-Dominate/dp/0595493076/>