# The Art and Science of PPC Advertising

**1**

*Although pay-per-click (PPC) advertising is a thoroughly modern endeavor, its foundations in direct-response advertising have been studied and refined for almost a century. In this chapter, you'll start on your journey to expertise by taking a look at the core scientific advertising principles common to all direct-response marketing, explore the basic elements of every successful PPC campaign, and examine some of the interesting uses of PPC and the current state of the market.*

**Chapter Contents**

## PPC and Direct Advertising Fundamentals

Succeeding at PPC advertising depends mainly on one thing: your ability to persuade people to take action by using just a few well-chosen words. That's a much more important success factor than understanding the intricacies of search algorithms or the myriad features of the Google AdWords, Yahoo! Search Marketing, and Microsoft adCenter control consoles.

Writing persuasive ad copy using no more than 145 characters is a big challenge—especially if you're up against significant competition. Your words must not only persuade; they must stand out from a page full of words all shouting for your customer's attention (see Figure 1.1). And after your words have convinced the searcher to click through to your site, it's those persuasive words (augmented by graphics) that convince the visitor to become a customer.

**Figure 1.1**  The travel industry is one of the toughest PPC fields—look at all these well-crafted ads for Hawaiian vacations!

Playing the PPC game without first taking the time to learn the fundamentals of direct-response advertising is like sitting down at the poker table with scant understanding of the rules, and proceeding to drop dollars into the pot while better-trained players scoop that money out.

But here's some good news: Smart marketers have been studying, testing, and refining direct-response advertising techniques for a *long* time. Unless you already have solid experience in this field, we encourage you to read the book *Scientific Advertising* by Claude Hopkins. Written in 1923 (long before the Internet, television, or widespread commercialization of radio), it's one of the first hands-on manuals that teaches fundamentals based on scientific testing. It includes (almost) everything you need to know about writing, testing, and optimizing direct-response advertising campaigns. You can download this public-domain book by going to `http://is.gd/rJSx`. You should be able to get through its 52 pages in about an hour, so there's no excuse to avoid reading it—do it now!

Nearly 90 years ago, Hopkins wrote the following:

> *The time has come when advertising has in some hands reached the status of a science. It is based on fixed principles and is reasonably exact. The causes and effects have been analyzed until they are well understood. The correct methods of procedure have been proved and established. We know what is most effective, and we act on basic law.*

> *Advertising, once a gamble, has thus become, under able direction, one of the safest business ventures. Certainly no other enterprise with comparable possibilities need involve so little risk.*

This aptly summarizes the core appeal of PPC advertising: Having created ad campaigns based on clearly defined best practices, the advertiser can measure the success of those campaigns soon after launching them. The advertiser can then test campaign variations (such as ad copy and landing page design) and immediately improve or optimize campaign elements to achieve steady increases in revenue and profit, sales leads, or donations.

Hopkins espouses a continual testing philosophy—the notion that an advertising campaign is never perfect and that continual improvement can be achieved through testing and optimization. Successful PPC advertisers embrace and practice this philosophy, so you'll learn techniques for testing throughout this book.

Other key concepts from *Scientific Advertising* include the following:

- The best advertising copywriters think and speak like salespeople—the ad itself is a virtual salesperson.
- The best-written ads acknowledge that people are self-centered and respond best to benefits (how the product or service will make them feel) rather than just features (descriptions of the products or services).

- Always assume that people are busy. Hopkins said that three-quarters of paid content is unread by the buyer of that content. That was in 1923—in today's fast-paced world, that proportion may be as high as 90 percent.

- An ad's headline is the most important part of the ad. It is the magnet that pulls attention away from surrounding distractions and starts the reader on the path toward conversion. (*Conversion* is a word you'll see often in this book; it simply means the action you want the site visitor to take—like a sale, or the download of a white paper.)

- Ad designers should adhere to the axiom "If it's not helping, it's hurting." This is especially true when it comes to graphical elements of an ad or landing page: If the graphic is not helping to steer the reader toward the conversion action, it is probably distracting attention away from the conversion action. Hopkins wrote, "Use [graphics] only when they form a better selling argument than the same amount of space [in text content]."

- Samples sell. Offering a physical product at no cost is often a great way to stimulate repeat customers. Downloadable white papers and trial software often result in excellent sales.

- Most advertisers neglect the basics of good ad design—especially testing and refinement of ad copy. Don't assume that PPC advertisers who attain top rankings for their ads are making money—they may be spending top dollar while remaining surprisingly unprofitable.

*Scientific Advertising* is a gem from start to finish, but one chapter is particularly relevant to the PPC advertiser. In Chapter 15, "Test Campaigns," Hopkins underscores the fact that no aspect of advertising (including the ads themselves as well as the PPC landing pages) should be constructed based solely on the advertiser's intuition:

> *There are many surprises in advertising. A project you will laugh at may make a great success. A project you are sure of may fall down. All because tastes differ so. None of us know enough people's desires to get an average viewpoint.*

Frequently you will find (especially at the beginning of your ad-writing experiences) that the PPC ad you expect to produce outstanding results will prove a loser compared to a test ad that you intuitively sense would be inferior.

**NOTE** Want to equip your company or organization to achieve continually improving advertising results? Read Bryan Eisenberg's *Always Be Testing* for solid advice and tactics to imbue your company with the attitude that testing leads to steady gains in sales volume and profitability.

But there's good news: In the fast-moving world of PPC advertising, testing and refinement of ads and landing pages can take place quickly, in days and weeks rather than the months and years necessary to gauge performance of offline advertising campaigns. Frequently, testing can take place on a small scale and at a low cost, determining winning ad and landing page combinations before rolling out campaigns on a larger scale. Then the advertiser can know with certainty that the larger-scale campaign will be successful and profitable.

In the last chapter of *Scientific Advertising*, Hopkins heralds the new advertising age, in which not a penny of advertising expense is wasted:

> *Yet most national advertising is done without justification. It is merely presumed to pay. A little test might show a way to multiply returns. Such methods, still so prevalent, are not very far from their end. The advertising men who practice them see the writing on the wall. The time is fast coming when men who spend money are going to know what they get. Good business and efficiency will be applied to advertising. Men and methods will be measured by the known returns, and only competent men can survive.*

These words drip with irony, because nearly a century later, many advertisers are still flying blind. They don't know the return on their advertising investment. Many site owners still have not put into place the web analytics devices necessary to know the revenue and profit for each advertising dollar spent. This is bad news for them, but good news for you, because by the end of this book you'll likely have a distinct advantage over your competitors.

Now let's take a look at the core elements of a PPC campaign.

## Components of a Successful PPC Campaign

To achieve optimal results, all elements of a PPC campaign must be in good working order, operating together synergistically. Like an automobile engine, all parts must be finely tuned together to ensure that the driver gets from point A to point B, quickly and efficiently. If any one part of the engine is defective or inefficient, the engine may run poorly or not at all.

Likewise, if any one part of a PPC campaign is deficient or ineffective, it can drag down the performance of the whole campaign to unacceptable levels.

The individual elements of a campaign are as follows:

**Keywords:** In search PPC, these are the words and phrases the advertiser chooses to trigger ad display. In content PPC, keywords describe the kind of website pages where the advertiser wants their ads displayed.

**Ads:** The words and images used to persuade the reader to take action, such as clicking through to a website.

**Bid prices:** The price the advertiser is willing to pay for each ad-induced visit to the site.

**Landing pages:** The website pages respondents see when they click on an ad.

**Conversion path:** The steps the site visitor must take in order to achieve the objective of the site (for example, a sale, a submitted lead, a newsletter sign-up, or a donation).

Let's explore each of these elements a bit further.

### Keywords

In PPC search campaigns, advertisers lists words and phrases that they think prospective customers would use in a search query. The advertiser is essentially saying, "Google, if someone uses this phrase as part of a search query, display my ad." (Note that the word *keyword* can mean a single word or a multiple-word phrase.) Keywords can be very general (such as *Hawaiian vacation*) or very specific (such as *reserve a hotel on Oahu*).

It's important for an advertiser to anticipate the many ways that people express themselves when performing a search. Chapter 4, "Month 1—Research Keywords and Establish Campaign Structure," shows you how to build keyword lists to make sure you're covering all the bases.

Keywords in content campaigns play a much different role than the keywords in search campaigns. They tell Google, "Display my ads on site pages that contain all or most of these words." Figure 1.2 shows how ads appear on a page in Google's content network. You'll learn much more about content campaign keywords in Chapter 7, "Month 4—Advertise on the Content Network."

### Ads

As mentioned, writing effective PPC ads is an important cornerstone of a successful PPC ad campaign. The advertiser is challenged to pack a lot of meaning and persuasiveness into no more than 145 characters. An ad needs to deliver the following messages in the short time it takes to read it:

- The advertiser's website is likely the best source for satisfying the visitor's need or desire.
- There are clear benefits associated with clicking through to the advertiser's website.
- Visitors know what's expected of them when they arrive at the website.

Ad copywriting is such an important topic that Chapter 5, "Month 2—Create Great PPC Ads," is devoted exclusively to it.

**Figure 1.2**  Ads appearing on a content network page

## Bid Prices

PPC advertising operates under an *auction model*. Advertisers tell the PPC service how much they're willing to pay for a click on an ad and subsequent visit to the advertiser's website. Google takes into consideration how many other advertisers are bidding on the same keywords, and generally speaking, the advertisers willing to pay the most for a click will see their ads displayed closest to the top of the search results page. See Figure 1.3 for an illustration of ad group bid prices.

| Ad Group | Status | Max. CPC (USD) | Clicks | Impr. | CTR | Avg. CP... | Avg. CP... | Cost (USD) | Avg. Pos | C...▽ | Conv. Rate | C...|
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Golf Grip | Active | 0.32 | 386 | 151,696 | 0.25% | 0.22 | 0.57 | 86.39 | 2.4 | 1 | 0.26% | 86. |
| Golf Instruction | Active | 1.02 | 954 | 646,243 | 0.15% | 0.24 | 0.35 | 227.48 | 3.5 | 1 | 0.10% | 227 |
| Branded | Active | 0.32 | 1 | 4,626 | 0.02% | 0.24 | 0.05 | 0.24 | 2.8 | 0 | 0.00% | 0.0 |
| Chipping | Paused | 0.18 | 0 | 0 | - | - | - | - | - | 0 | 0.00% | 0.0 |
| Equipment | Active | 0.32 | 110 | 61,375 | 0.18% | 0.23 | 0.41 | 25.40 | 3.8 | 0 | 0.00% | 0.0 |
| General Golf | Active | 0.32 | 78 | 55,046 | 0.14% | 0.21 | 0.30 | 16.25 | 1.6 | 0 | 0.00% | 0.0 |
| Golf DVD | Paused | 0.18 | 0 | 0 | - | - | - | - | - | 0 | 0.00% | 0.0 |
| Golf Grip (old) | Paused | 0.32 | 3 | 1,029 | 0.29% | 0.13 | 0.39 | 0.40 | 5.9 | 0 | 0.00% | 0.0 |
| Golf Magazines | Active | 0.32 | 38 | 45,850 | 0.08% | 0.24 | 0.20 | 9.00 | 5.2 | 0 | 0.00% | 0.0 |
| Golf School | Active | 0.32 | 84 | 43,753 | 0.19% | 0.23 | 0.45 | 19.67 | 3.0 | 0 | 0.00% | 0.0 |
| Golf Swing | Paused | 0.08 | 0 | 0 | - | - | - | - | - | 0 | 0.00% | 0.0 |
| Golf Tips | Active | 0.32 | 410 | 378,397 | 0.11% | 0.19 | 0.21 | 78.05 | 3.7 | 0 | 0.00% | 0.0 |
| People | Active | 0.32 | 12 | 14,280 | 0.08% | 0.21 | 0.18 | 2.55 | 2.9 | 0 | 0.00% | 0.0 |
| Pitching | Active | 0.32 | 1,237 | 1,172,937 | 0.11% | 0.23 | 0.24 | 279.40 | 3.0 | 0 | 0.00% | 0.0 |

**Figure 1.3**  AdWords Editor screen showing maximum ad group–level bid prices (maximum costs-per-click)

> **NOTE**
> Strictly speaking, this is not a pure price auction, because the search engines reward good campaign performance with a *quality score* that can cause ads to be displayed in higher positions even though their bids are lower than those of competing advertisers. This is described in detail in Chapter 2, "How the PPC Machine Works."

How much should an advertiser be willing to pay for a click? You'll see detailed guidance for calculating bid prices in Chapter 4. For now, understand that at the beginning of a new PPC ad campaign, this decision usually takes some guesswork, based on the amount competitors are bidding as well as the advertiser's assumption about the number of site visitors who will take the desired action—the conversion. But after a PPC campaign has been underway for a while (anywhere from a few weeks to a few months), the advertiser will know with certainty how much each conversion is costing. Thereafter, they can adjust bids so that the target profitability is consistently achieved.

The object of most PPC campaign optimization efforts (improvement of ad copy, for example) is to drive the average cost per click (CPC) ever lower. That way, profitability will increase steadily over time.

## Landing Pages

Many advertisers are surprised to realize that the key element determining whether a site visitor will convert is whether the PPC landing pages are well designed and operating correctly. A PPC *landing page* is simply the page on your site upon which visitors land after clicking on a PPC ad. PPC landing pages can, and often should, look very different from the site's home page and other pages on the advertiser's site. In many cases, advertisers can get much better results when landing pages are customized to match the theme of a particular PPC ad group (the keywords and ad message).

This is often a difficult but crucial concept that's hard for many site owners to grasp. They're accustomed to thinking about their site as analogous to a bricks-and-

mortar storefront: one entrance (the home page) through which all customers enter, linked to other pages where site visitors can (hopefully) easily find what they're looking for. Site owners often design their home page to satisfy the needs of casual browsers as well as visitors who are looking for specific items or information.

But with PPC advertising, the site owner has information about the intent of the visitor who has come to the site by clicking on a PPC ad. The site owner knows the search term used, and that the visitor was motivated by the specific messages and benefits mentioned in the ad.

For example, let's say a site sells Hawaiian vacations, and the site visitor has clicked on an ad that promises discounts on the rental of cottages on Oahu. If the PPC visitor arrives on the home page, which necessarily contains a wide variety of links to parts of the site that do *not* pertain to cottages on Oahu, that visitor quite possibly will leave the site without converting.

This is because visitors don't want to take the time and effort to navigate through the site to find pages that pertain to their specific needs. On the other hand, if a site visitor arrives at a page that describes Oahu cottage rentals, that visitor will much more likely conclude that she has come to exactly the right place and will take the desired conversion action. Figure 1.4 shows an example of a good ad and landing page combination.

**Figure 1.4**  This is a great PPC ad (triggered by the keyword *e-mail templates*) with a corresponding landing page. Note that the ad message is featured prominently on the landing page.

Chapter 6, "Month 3—Design Effective Landing Pages," and Chapter 11, "Month 8—Test and Optimize Landing Pages," go into much more detail about landing page design and testing.

### Conversion Path

Frequently, the site visitor must traverse more than one page to finalize the conversion action. A typical example is the shopping process on an e-commerce site. Having decided to buy, the visitor must enter shipping information, credit card numbers, and so on.

Every step in the process introduces the possibility that the visitor will become distracted or confused. Site owners are often shocked to find that many visitors, having decided to buy or convert, leave the site in the midst of the conversion process. This is referred to as *abandonment*. The ratio of the number of people who leave the site compared to the number of people who complete the conversion process is known as the *abandonment rate*.

If the conversion process is not designed and optimized correctly, abandonment rates can be as high as 50–80 percent. Obviously, it's in the best interest of the advertiser to continually work to lower this percentage, and Chapter 9, "Month 6—Optimize Your Campaign," shows you how to do this.

## PPC Campaign Uses

Although most advertisers will use PPC advertising to garner sales, submitted leads, or donations, others may benefit in ways that are more indirect.

For example, the goal of some ad campaigns is not necessarily to elicit a direct response by the person viewing the ad. Rather, the goal is simply to achieve *branding*—to cause the person viewing the ad to remember the name of a company or the features of a product, which will result in a visit to a bricks-and-mortar storefront. Branding is also an effective way to generate *word-of-mouth marketing*, whereby people viewing the ad tell others about their impression or experience.

PPC advertising excels at eliciting direct responses, but it can also be employed for the purposes of branding, and at a cost lower than traditional offline ad media such as print, TV, and radio. You'll find out how in later chapters.

One important side benefit of PPC advertising is that the advertiser discovers with certainty which words and messages are most effective at persuading customers to buy. Savvy website owners use this information to design other online and offline campaigns.

For example, frequently the best-performing PPC keywords are the ones that should be used when optimizing a website so that search engines rank the site highest

in the natural search listing portions of the search results pages. This activity is called *search engine optimization* (often abbreviated *SEO*).

Likewise, savvy PPC advertisers test several advertising messages, and then use the "winning" messages in their other online and offline advertising efforts. For example, an advertiser might find that a particular message (such as "Your children will love their Wii") results in a high return on investment (ROI) in their PPC campaign, and choose to highlight that message in an e-mail campaign.

## The Science of PPC

The next chapter covers the mechanics of PPC, but for now it's important to understand that successful direct-response advertising of any kind requires using methods and techniques that are closer to science than to art. Successful PPC advertisers constantly use calculators, spreadsheets, and software tools to plan, construct, measure, and optimize campaigns. If you're not comfortable with the mathematical side of PPC advertising, you may need to find an assistant or colleague who can become proficient in that aspect of the job.
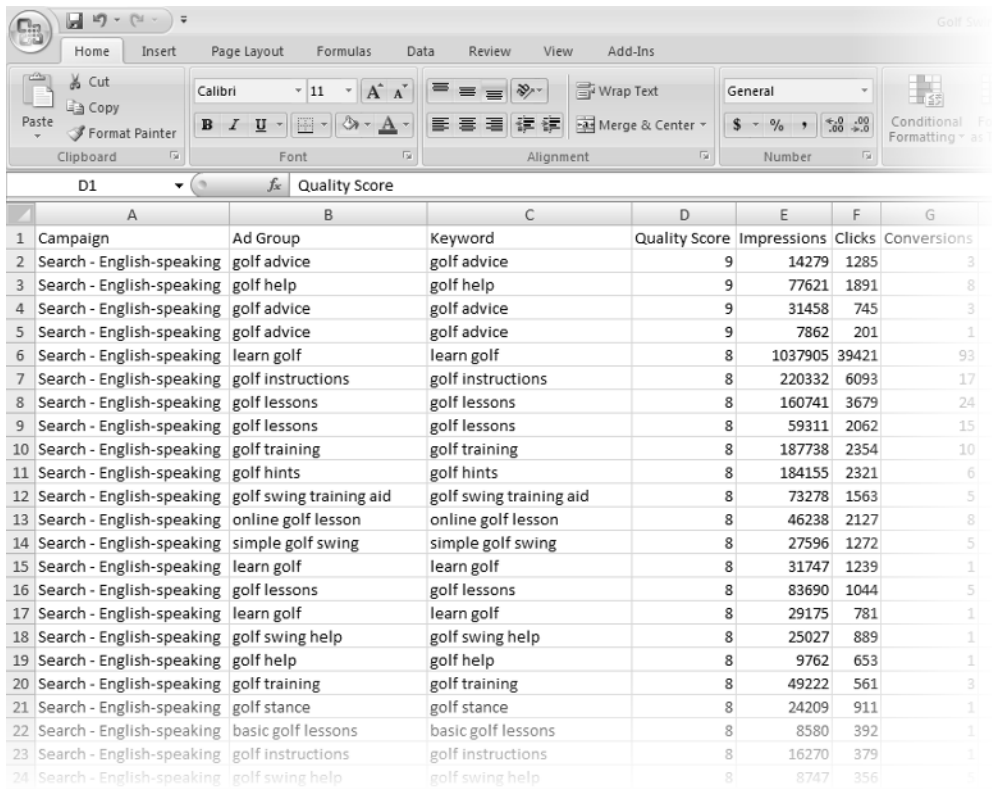
For example, determining the optimal price to pay for each click requires calculations based on the price you're willing to pay for a conversion. Usually this is a simple one-time exercise, but for companies with multiple products or a range of desired conversion actions, the task can get quite complicated.

One of the biggest strengths of PPC advertising is that it's easy to create reports that show exactly what is happening in a PPC campaign at any given time. You can quickly and easily see critical metrics such as the number of ad impressions, the number of clicks, click-through rates (CTRs), the number of sales, the cost of sales, and so on, for any period of time and for any elements of the campaign such as keywords and individual ads. Figure 1.5 shows examples of data types that can be reported.

It's important for you to learn how to interpret this data in order to understand what it means for your business and determine whether your PPC efforts are profitable. The data will also indicate what actions you should take (such as changing bid prices or creating test variations of an ad) in order to optimize campaign performance.

Improving campaign results is dependent on continual testing—displaying two variations of an ad, for example, and then favoring the ad that produces better results. Successful PPC advertisers never stop testing variations in ad copy, banner ad design, landing page design, and content. It's important that you learn and master the methods and tools required to test and to interpret results.

Fortunately, this book covers all of these topics in sufficient detail that you'll be applying the best techniques after just a few weeks of practice.

| | A | B | C | D | E | F | G |
|---|---|---|---|---|---|---|---|
| 1 | Campaign | Ad Group | Keyword | Quality Score | Impressions | Clicks | Conversions |
| 2 | Search - English-speaking | golf advice | golf advice | 9 | 14279 | 1285 | 3 |
| 3 | Search - English-speaking | golf help | golf help | 9 | 77621 | 1891 | 8 |
| 4 | Search - English-speaking | golf advice | golf advice | 9 | 31458 | 745 | 3 |
| 5 | Search - English-speaking | golf advice | golf advice | 9 | 7862 | 201 | 1 |
| 6 | Search - English-speaking | learn golf | learn golf | 8 | 1037905 | 39421 | 93 |
| 7 | Search - English-speaking | golf instructions | golf instructions | 8 | 220332 | 6093 | 17 |
| 8 | Search - English-speaking | golf lessons | golf lessons | 8 | 160741 | 3679 | 24 |
| 9 | Search - English-speaking | golf lessons | golf lessons | 8 | 59311 | 2062 | 15 |
| 10 | Search - English-speaking | golf training | golf training | 8 | 187738 | 2354 | 10 |
| 11 | Search - English-speaking | golf hints | golf hints | 8 | 184155 | 2321 | 6 |
| 12 | Search - English-speaking | golf swing training aid | golf swing training aid | 8 | 73278 | 1563 | 5 |
| 13 | Search - English-speaking | online golf lesson | online golf lesson | 8 | 46238 | 2127 | 8 |
| 14 | Search - English-speaking | simple golf swing | simple golf swing | 8 | 27596 | 1272 | 5 |
| 15 | Search - English-speaking | learn golf | learn golf | 8 | 31747 | 1239 | 1 |
| 16 | Search - English-speaking | golf lessons | golf lessons | 8 | 83690 | 1044 | 5 |
| 17 | Search - English-speaking | learn golf | learn golf | 8 | 29175 | 781 | 1 |
| 18 | Search - English-speaking | golf swing help | golf swing help | 8 | 25027 | 889 | 1 |
| 19 | Search - English-speaking | golf help | golf help | 8 | 9762 | 653 | 1 |
| 20 | Search - English-speaking | golf training | golf training | 8 | 49222 | 561 | 3 |
| 21 | Search - English-speaking | golf stance | golf stance | 8 | 24209 | 911 | 1 |
| 22 | Search - English-speaking | basic golf lessons | basic golf lessons | 8 | 8580 | 392 | 1 |
| 23 | Search - English-speaking | golf instructions | golf instructions | 8 | 16270 | 379 | 1 |
| 24 | Search - English-speaking | golf swing help | golf swing help | 8 | 8747 | 356 | |

**Figure 1.5** Typical PPC data

## The Art of PPC

Although PPC advertisers have a big toolkit of scientific tools and techniques to employ, successful PPC advertising requires a mastery of skills that are mainly artistic in nature. Chief among these are the ability to write well and a sense of professional graphic design.

Writing effective, persuasive ads is crucial to the success of a PPC campaign. Often the failure of a campaign can be attributed to poor ad copywriting. Ads may be displayed frequently but fail to elicit a significant proportion of clicks, as evidenced by one of the most important metrics of campaign success: *click-through rate* (usually abbreviated as *CTR*).

Creating nontext ads for display on the PPC content network requires copywriting skills as well as an understanding of how visual images deliver or augment messages and persuade the viewer to take action. In the hands of a skilled professional, an animated banner ad can speak volumes about the advertiser's products, features, benefits, and desired action, taking full advantage of the relatively small space provided by PPC ad units.

Solid copywriting and graphic design skills are also necessary for creating successful PPC landing pages. The PPC advertiser is challenged to create the right combinations of words and graphics that will quickly persuade and steer the site visitor to take the site's desired action. As we stated earlier in this chapter, that action (such as a sale, submitted lead, donation, and so on) is referred to as a *conversion*. The success metric is called the *conversion rate*, which is the number of site visitors who convert divided by the number of PPC visitors to the site. With optimal landing page design, conversion rates of 10–20 percent and higher are common.

Can one person practice and build the scientific and artistic skills necessary to be an expert PPC advertiser? The answer is, "Sometimes." It's certainly rare to find people who are naturally gifted at both. The good news is that the training in this book will equip just about anyone to develop the skills they might lack naturally.

## The State of the PPC Industry

Since the inception of PPC advertising in 1998, advertisers have paid Google, Yahoo!, and Microsoft billions of dollars for targeted clicks. Despite the effects of a global recession, almost half of advertisers polled by MarketingSherpa said they intended to increase their PPC spending in 2009. Conversion rates for PPC campaigns have also been climbing steadily—almost half of the respondents in the same study reported that conversion rates have increased over the previous year.

After several experimental efforts in the mid-to-late 1990s, PPC advertising was popularized by the startup company GoTo which was developed at Bill Gross's Idealab in 1998. GoTo had the PPC advertising field to itself until it was renamed Overture in 2001, and expanded as a back-end ad service platform for search engines such as Yahoo! and MSN. Figure 1.6 shows the original GoTo search screen.
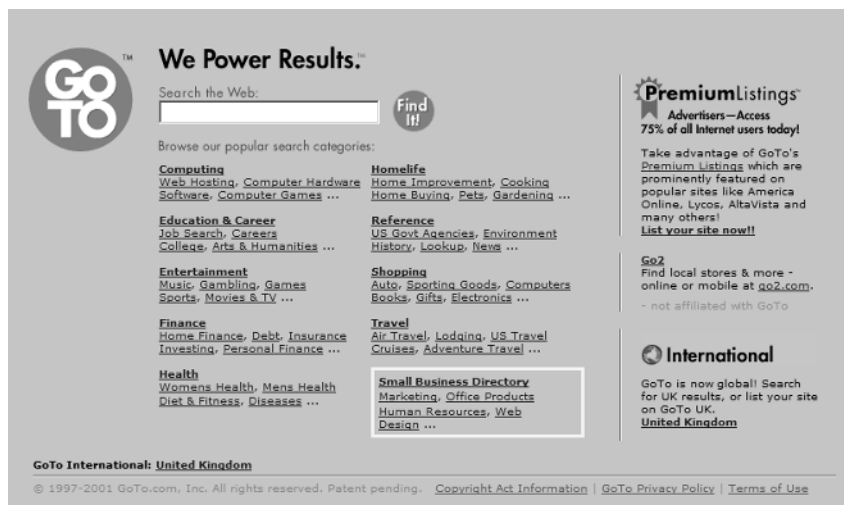
**Figure 1.6** GoTo, the earliest popular ad-supported search engine

As Overture became a significant driver of profit for its search engine partners, it continued to grow by acquisition, gobbling up dot-com pioneers such as AltaVista and AlltheWeb. In 2003, Overture was acquired by its biggest customer, Yahoo!.

Google quietly introduced search engine advertising in 1999, but initially advertisers paid on a CPM (cost-per-thousand) impressions basis—not a true PPC model. Google finally introduced PPC search advertising in 2002.

In 2003, Google introduced its AdSense program, whereby site owners could place Google AdWords ads on their site pages and earn a commission from Google whenever someone clicked on an ad. Google also introduced web-based software that simplified the task of creating and managing Google AdWords campaigns. Figure 1.7 shows ads appearing on Google's search results page.
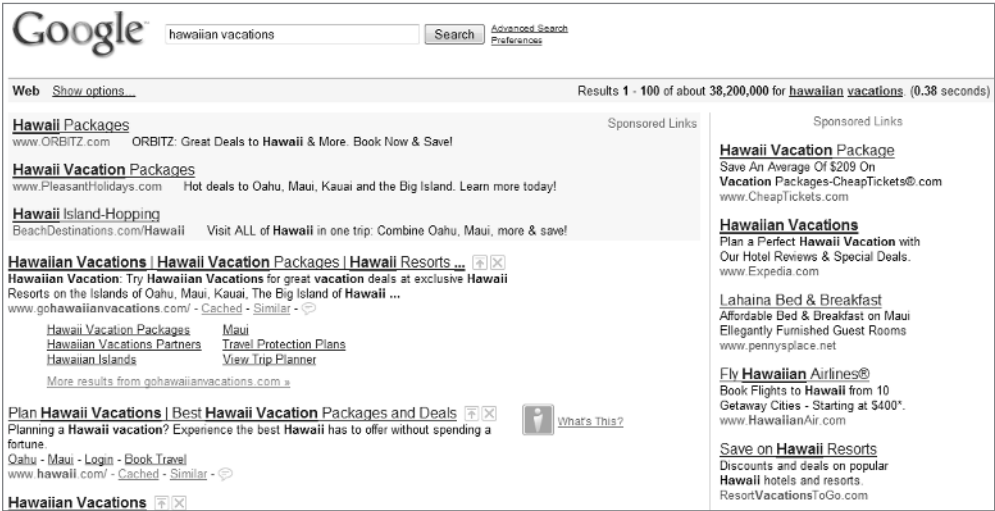


**Figure 1.7** Google search results page

Yahoo!, ambivalent about its growth strategy, invested heavily in several directions. Some in the company wanted it to become a media player and compete with the established television networks and movie studios. Others wanted Yahoo! to diversify by creating a growing suite of web-based software services. Many believe Yahoo! neglected its PPC advertising business in the years between 2003 and 2005, allowing Google to pull ahead in market share and functionality. Figure 1.8 shows a Yahoo! search results page.

Microsoft entered the PPC fray late in 2006, and its market share has languished in the single digits. Microsoft has recently decided to focus more attention and resources on PPC and online advertising; this includes a technology-sharing agreement with Yahoo! whereby Microsoft ads will appear on Yahoo! search results pages. In mid 2009 Microsoft introduced a revised version of their Live Search engine, renaming it Bing. Figure 1.9 shows ads appearing on a Bing search results page.
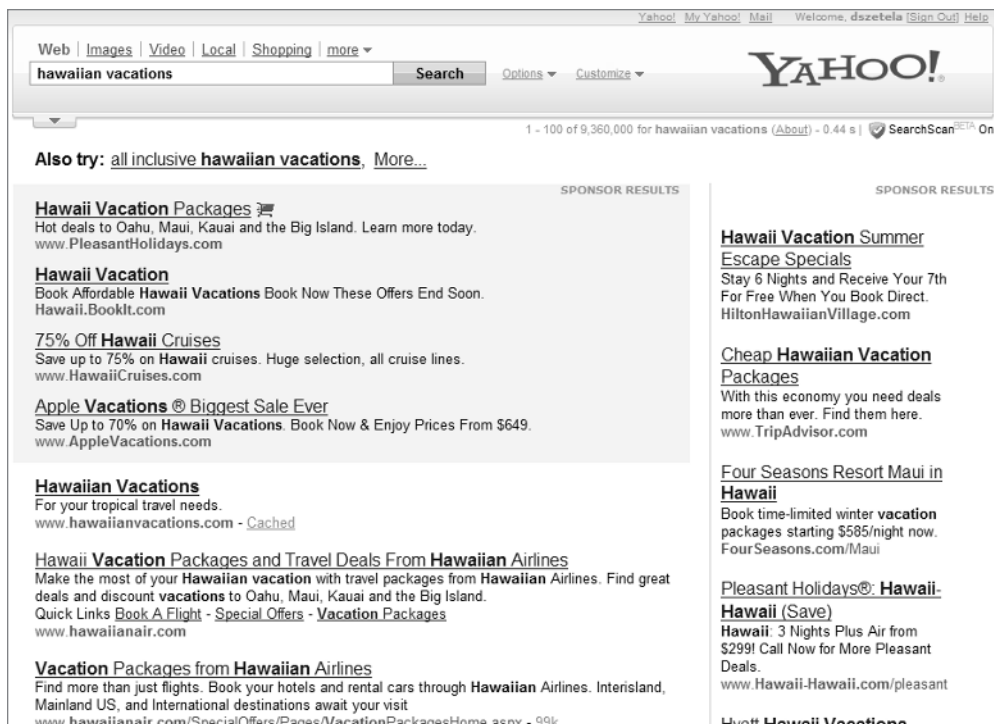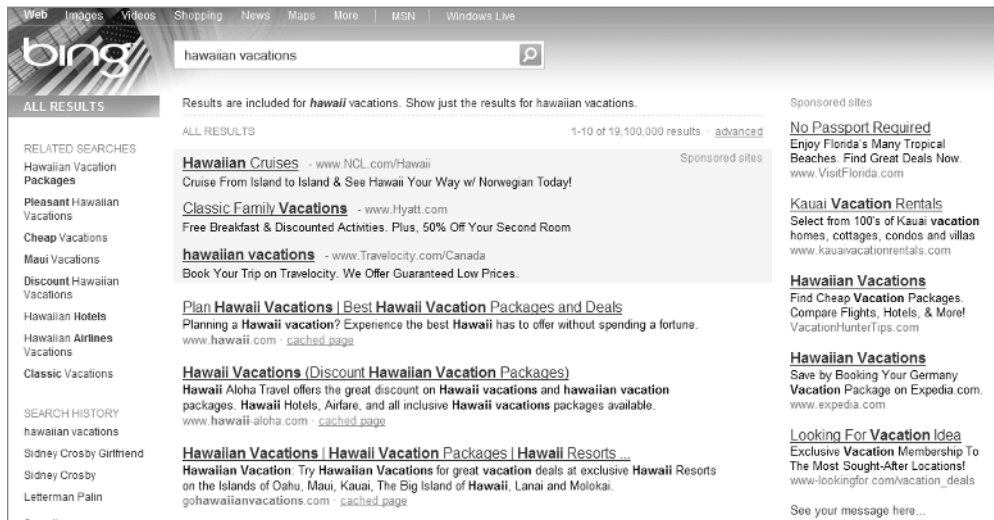
**Figure 1.8** Yahoo! search results page



**Figure 1.9** Microsoft Bing search results page

Today the "Big Three" players in the PPC industry are Google, Yahoo!, and Microsoft—obviously correlating to the most frequently used search engines. But their share of the market is far from equal. Google earns the biggest chunk of advertising revenue—recent estimates have pegged its share at 85 percent. Yahoo! has a much smaller, but still relevant, share at 9 percent. Microsoft squeaks into third place with a 4–5 percent portion of revenue. The last 1 percent or so is earned by so-called "second-tier" search engines such as LookSmart, Ask, and 7Search.

The year 2009 has been a tough one for businesses worldwide, but advertisers continue to increase PPC advertising spending. In fact, there are indications that many advertisers, drawn by a high ROI and predictable results, are diverting ad dollars away from traditional print, TV, radio, and outdoor advertising to fund additional PPC advertising.

The Interactive Advertising Bureau reported the following in its 2008 Internet Advertising Revenue Report:

> *Despite a difficult U.S. economy, the report indicates that interactive advertising's continued growth—though at a slower pace—confirms marketers' increased confidence in the value in reaching consumers online. Internet advertising revenues in the U.S. remain strong, with Q408 revenues hitting $6.1 billion, and revenues for the year topping $23 billion.*

Spending on PPC advertising seems to be growing faster than spending on other forms of online advertising. *The New York Time*s reported that in 2008, PPC accounted for 57 percent of online advertising, up from 52 percent in 2007.

Most advertisers will be well served by advertising on all of the Big Three search engines. Although Yahoo! and Microsoft deliver much lower click volumes, many advertisers find that conversion rates are better than on Google (due to lower competition, for example), and hence profitability is higher. The combined available clicks from the second-tier search engines is so small that for most advertisers it's not worth the time and effort to use them. That's why this book describes the similarities and differences of creating and managing campaigns just on the Big Three.