

The costs of pay-per-click advertising

Question: I'm interested in pay-per-click search-engine advertising, but I don't know how much it will cost. Help!

Answer: Projecting costs for pay-per-click, or PPC, advertising can be as mysterious as Britney Spears' career plan.

Multiple factors determine your PPC budget and success level. Here's what you need to know.

Search-term selection

The single most critical decision in a PPC program is term selection.

Only bid on terms that are extremely relevant to your business. This is not a time to be optimistic and, say, bid on Indiana search terms when you don't provide services in Indiana. That will blow through your budget fast. Use a program like Wordtracker (wordtracker.com) or Google's term-selection tool to find search terms that are right for you.

Your click potential

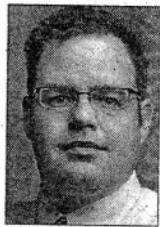
Let's assume you want to focus on 100 search terms, with a combined daily search volume of 400 per day. That works out to about 12,000 potential searches per month.

Multiple studies have shown that, on average, one-third of searchers will click on paid ads with the balance clicking on natural search results. Paid ads are typically at the top of the page and in the right column, often with some sort of blue or gray background.

Using this data point, we can assume the universe of potential PPC clicks for your search term is 3,960 per month (12,000 term searches multiplied by 33 percent who will click on the ad).

Assuming you are going to launch your campaign on Google and Yahoo!, you will reach 80 percent of all searchers, so your official click universe is 3,168 per month (3,960 x 80 percent).

But what percentage of those searchers will click your ad?



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Your click rate will depend on how aggressive you bid and how well-written your ads are. It's not easy to craft a great ad in 80 characters, and very small changes can have big impacts on your results. Use tools on Google and Yahoo! to test versions of your ad.

Recognize that your results are linked, to some degree, to the behavior of your competition. You'll often find competitors "bidding blind" in search-engine advertising, paying whatever it takes to stay No. 1 in the results.

In general, we use a rate of 9 percent to project the percentage of paid clicks a solid ad will attract if it typically falls in the top three bid positions. This then gives you about 285 clicks per month on your ad (3,168 x 9 percent). Remember, this is 9 percent of the people that click on paid listings.

Bid-pricing tools

Yahoo! provides a seemingly accurate bid-price tool. Use it to determine average top bid prices for your search terms. Add 15 percent to account for Google's higher average click fees. If the average price for the top three bid positions for your search terms is \$2, use \$2.30 as your average. Multiply that by your estimated clicks (285), and shazam! You have your estimated monthly expenditure for PPC: \$655.50 (285 x \$2.30).

Also, I've made it easy for you to estimate your budget. Just go to mightyinteractive.com, and click on PPC Calculator. Plug in some numbers, and we'll do the numerical heavy lifting.

This story appears in the current issue of bizAZ magazine. Jason Baer is the founder of Mighty Interactive, the Internet-services division of Off Madison Ave, an integrated communications firm in Tempe.

PPC: Pay per click

Pay per click is a method of paying for Internet advertising. Firms buy keywords that they believe customers will use to find their sites. The ads show up on a search-results page, and the business pays the search engine every time someone clicks on it.