

Special Report

SEARCH ENGINE MARKETING

When companies talk at search conferences about Web site improvements they implemented based on analysis of search users' behavior, they typically throw around increased sales numbers in the millions. These case studies likely represent some of the best results possible, but experts note that solid revenue is at stake for all companies willing to drill down into their online analytics to uncover conversion opportunities.

This report takes a look at the impact of online analytics on paid and organic search, but with a stronger focus on paid. The reason? As Lisa Wehr, founder and CEO of search engine marketing (SEM) firm Oneupweb, puts it, the competitive nature of the pay-per-click environment can cost search players a chunk of change if they don't understand their acquisition costs. Consider that a recent report by market research firm eMarketer forecasts paid search advertising spending to grow by 26.2 percent this year and by 16.4 percent next year—rates that outpace those of all other media. This growth translates into even more competition in the search space. You can learn more about what search-related activities you should be measuring with online analytics and how to apply your learnings to improve your SEM investments in "SEM by the Numbers," which starts on this page.

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In case you're thinking about upgrading the solution you currently use or bringing a third-party into the search equation on either the SEM or analytics side, check out the Q&A on analytics options with search strategy expert Sara Holoubek (page 40). In addition, you will find a list of a few of the third-party Web analytics tools on the market that can help you in your quest for more online insight.



—Hallie Mummert
Editor in Chief

SEM by the Numbers

Turn Web data into online strategic direction

By Hallie Mummert

What would you do if you knew for a fact that 50 percent of all prospects who spend 10 minutes or more learning about your product line and view at least one of your competitive comparison charts go on to buy one of your products? You would focus your marketing efforts to drive this kind of behavior, or at least make it easier for prospects to find this information, right? Well not only does Web analytics make this kind of insight possible, but it also helps you determine if such sales are profitable in the short term and the long term.

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By analyzing search engine data that show what happened before people got to your site along with Web site data that tell you what these people then did on your site, you can better manage your keyword bidding, site optimization efforts, affiliate programs ... basically your overall SEM investment. What's even better is that analytics is not an all or nothing game. While Lisa Wehr, founder and CEO of Lake Leelanau, Mich.-based search engine marketing firm Oneupweb, says it's "shocking how many marketers still don't even track their SEM and online activity," she notes that even

the most basic analysis can produce real results.

What Are You Tracking?

Just as you could in the offline world, you can gather data on just about any permutation of online activity. But the online space provides even more options for slicing and dicing. How sophisticated you get depends on what you need to know to make an impact on your SEM investment and the resources you have to track, analyze and act on this information.

According to Josh Stylman, managing partner of SEM services firm Reprise Media in New York, marketers should focus on those metrics tied to their program goals, such as sales, leads and ad impressions, and the costs. Reprise Media in New York, marketers should focus on those metrics tied to their program goals, such as sales, leads and ad impressions, and the costs associated with driving these actions. To do this, you will need to look at the "building blocks" to the metric. In most cases, this involves determining what percentage of people might be exposed to your search engine link; what percentage of this audience is likely to click on your link; what percentage of this group then is likely to progress past your homepage; etc. This exercise gives you a starting point

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against which to measure your campaign performance and test options to improve your return.

For online retailers, this process is fairly rigorous, explains Wehr. They must keep a tight rein on cost per acquisition (CPA) and ROI for their SEM programs.

cost per lead, how many leads convert to sales, the clickpath for these online visitors, etc. For example, the clickpath can tell you which visitors took a needs-assessment survey, qualifying behavior that might lead you to offer visitors different whitepapers based on their survey results.

the homepage," says Wehr.

The When Factor

"The problem with pay-per-click (PPC) advertising," Wehr points out, "is you can be chugging right along and meeting your goals ... and then someone new can ride in ... throwing your numbers way out of line. That's why it's so critical to manage PPC campaigns with a magnifying glass. If companies are running PPC campaigns on auto-pilot, they're likely not getting as much as they can out of the return."

Rohrs agrees, adding that the spoiler can be a competitor that's optimized its search program to the hilt or that simply doesn't know any better about how to bid effectively. Either way, your results go out the window.

To effectively manage PPC programs, online retailers need to look at keyword performance, cost-per-click and cost-per-conversion numbers daily. Wehr stresses, "You have the potential to burn through a lot of cash quick [with PPC], so you need to be looking at [metrics] regularly."

On the search engine optimization side, program measurement is important to keeping up with adjustments that can push your search rankings higher. But since you can control your costs for this type of work more easily, it doesn't need the daily monitoring that paid search campaigns demand.

Making Sense of the Numbers

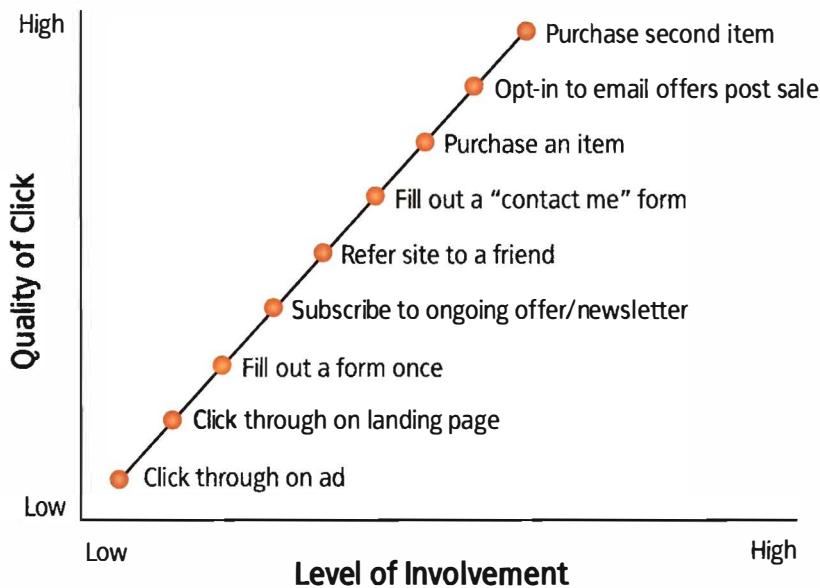
campaigns demand.

Making Sense of the Numbers

The point of measuring online activity from the search engine to your site is to determine where you could tweak your marketing efforts to drive more profitable online interactions.

The aspects of a search program that see the most refinement and testing are keyword terms and landing pages. The goal is to connect the search user with the landing page that best fulfills her information needs. If 20 percent of search traffic is bypassing your home-

THE INVOLVEMENT RAMP



Source: Oneupweb

Marketers should view their Web analytics with the goal of determining how they can improve their search program to move visitors up the involvement ramp, shown here.

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When it comes to B-to-C organizations that aren't selling products online—say a publishing firm with an ad-supported site—it's a little less critical to calculate these metrics to the penny. Instead, these firms tend to focus on branding, conversion rates and number of leads generated.

The measurement process also is a little different for B-to-B firms, says Wehr, as the longer sales cycles in this sector makes it difficult to track how the online component impacts future sales. In this case, she advises B-to-B firms to track what they can, particularly

At its most basic, SEM analysis boils down to measuring clickthrough and conversion rates, says Jeffrey K. Rohrs, president of Optiem, an interactive marketing agency in Cleveland, Ohio. Where it gets sticky is determining the value of behavior other than sales. For example, he asks, how do you value a catalog request, which can be a costly type of activity?

Some behavior you won't be tracking for leverage, but rather to eradicate it. "[Marketers] need to be monitoring click fraud and making sure traffic coming into the homepage is progressing past

page and going to a particular product landing page, then it would suggest that this group used a very targeted keyword query. But, perhaps, not much of this 20 percent is converting to a sale, says Wehr. The analytics will help you determine on which pages visitors dropped off, so you can create hypotheses as to why and then set up tests to address these holes.

"You should be testing offer, product, design, position of the buttons ... all those things that can impact whether or not the conversion rate goes up. As you learn from that testing and figure out which landing pages perform better, you can further refine your [keyword] ad groups and start slicing and dicing those into smaller groups. Then you can design a more targeted landing page around those groups. So, eventually you're going to have more landing pages and more keyword categories, but they're going to be a lot more targeted," Wehr explains.

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—Jeffrey Rohrs, Optiem

Keep in mind that as you refine your keyword groups, you will have more tail terms—e.g., "Tiffany Elsa Peretti bean

Keep in mind that as you refine your keyword groups, you will have more tail terms—e.g., "Tiffany Elsa Peretti bean necklace"—versus head terms—e.g., "necklaces"—says Stylman. Tail terms produce less data for analysis, and so your sample size will be insignificant. Refinement of a search program requires the creation of taxonomy for search terms that can be rolled up into slightly broader groups for more conclusive analysis.

Missed Opportunities

Besides not capturing online activity

related to search, online marketers are missing a few other opportunities to leverage their SEM investments.

One of the biggest search problems Wehr sees is retailers not keeping up with inventory. "They are purchasing PPC ads for products they no longer have in stock or have discontinued. If you're managing hundreds of thousands of keywords and URLs, that's a hard task to keep up with. But for every click that ad's getting, it's dropping your ROI number," she says. For those companies that have SEM firms managing their programs, she says, they need to keep the firm in the loop on discontinued or out-of-stock inventory.

On the natural search side, Rohr finds that less mature online marketers continue to use legacy online systems that are not optimized for search engine spiders. So, they're missing out on a great deal of low-hanging fruit when it comes to driving search traffic.

Stylman would like to see marketers do a better job of determining lifetime value (LTV) for their online campaigns. There are so many ingredients in the search recipe, he notes, that it's hard to get all relevant factors in the LTV model for online marketing.

Wehr agrees: "Most [marketers] focus on CPA or cost per sale. They want to spend 20 cents to make \$2, but they're not accounting for the relationship they've now built with the customer and how it impacts future orders. That number is important, because it allows them to stay competitive and increase their they've now built with the customer and how it impacts future orders. That number is important, because it allows them to stay competitive and increase their spending if it makes sense. Otherwise, they start sliding down the slippery slope ... they lose market share to a competitor or they become frustrated because it looks like their competitor is bidding more aggressively, so they may invest money in different channels because they didn't understand search and LTV in the first place."

Given that cross-channel shopping activity continues to rise, getting a handle on LTV will only get more complicated.

A study conducted earlier this year by JupiterResearch for SEM firm iProspect found that 62 percent of shoppers who went online to research purchases this past holiday season used search engines to find what they wanted; 47 percent of this group of consumers then bought these online-researched products offline.

"The sweet spot is determining how much online activity drives offline sales," says Rohrs, who advises multichannel marketers to create online mechanisms to help them track this behavior—such as coupons good for the retail environment. And, he adds, be sure to put other types of conversion options on your homepage and other key landing pages linked to your search campaigns to allow visitors to convert in their channel of choice. ■

Analytics Options

A search expert breaks down marketers' SEM tracking tool options

To help you navigate your way through the various online analytics reporting options, *Target Marketing* spoke with Sara Holoubek, a free agent who serves the interactive advertising industry and its investors, and who sits on the SEMPO (Search Engine Marketing Professional Organization) board of directors.

Target Marketing: What options do marketers have when it comes to tracking SEM performance?

Sara Holoubek: When working with an SEM agency, it's very common to use

that firm's tool. Some charge a monthly fee, while others bundle it into the package. Third-party tools for bidding, tracking and reporting are also available, whether you're using an SEM agency or not. In this category are the Web analytics tools that have incorporated media tracking over time. Finally, I have seen a few major online marketers with their own homegrown reporting tools, but this requires serious investment.

TM: What factors affect SEM reporting tool selection?

SH: Before entertaining any sales

pitch, make sure you understand how search will be judged within your own organization. Be honest about your firm's needs in advertising tracking. Is your CMO metrics-hungry? Or does she simply want a singular, consistently formatted report? Prioritize the specific metrics and how they might change in the future. Perhaps you have solid, natural and paid programs today, but will you engage in pay-per-call or video search tomorrow? Will e-mail, banners and search all need to be reported, side by side?

After outlining your dashboard needs, have a frank internal conversation about budget. This is a good check-and-balance as to how important budget is, and prepares you to go shopping.

The relationship with your vendors also will affect your decision. If you have a good relationship with

your SEM [agency], but feel that the reporting tools are not as robust as they could be, a delicate conversation is in order. Likewise, if you are bringing an SEM [agency] into the picture, your Web analytics firm might feel rebuffed.

Finally, the tech resources required on your end should be considered. In most cases, implementation is relatively easy. That being said, clarity on who is responsible for “outages” [the times when search reporting operations are down due to Web server failures, etc.] should be detailed early on.

TM: What are the benefits of the different reporting tool options?

SH: The benefit of using an SEM agency’s tool is that the entire team is well-versed and the developers are close at hand. For top-tier SEM firms, there is likely to be more customization, or the ability to resolve a technical glitch.

The primary benefit of using a third-party tool would be confidence



SARA HOLOUBEK

in the tool’s robustness. These are well-capitalized product firms, whereas SEM agencies are primarily service firms. Almost all third-party tools will measure search along with other online advertising metrics, resulting in a seamless report.

TM: Any disadvantages?

SH: While the SEM agencies’ tools are definitely sufficient, they are designed for search and search alone. If you are shopping for a singular, comprehensive tracking tool for Web analytics and online advertising metrics, it might make more sense to go with a third-party tool.

On the other hand, if you need a high level of confidence in search bidding, tracking and reporting, it would be wise to select a tool from a company that is dedicated to fine-tuning its [product]. Remember that every change to a paid search provider’s program will need to be incorporated into the tool.

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Web Analytics Tool Roundup

The following is a sampling of the many Web analytics software and solution offerings currently available. Note: This space experiences rapid change, mostly as analytics firms and other SEM players acquire competitors. Hopefully this list has a shelf-life of more than a month or two!

Company	Tool	URL
Agent Interactive	TrafficAnalyzer	www.agentinteractive.com
Company	Tool	URL
Agent Interactive	TrafficAnalyzer	www.agentinteractive.com
ClickTracks	ClickTracks 6	www.clicktracks.com
Coremetrics	Coremetrics Online Analytics	www.coremetrics.com
Interspire	TrackPoint	www.interspire.com
MetaSun	MetaTraffic	www.metasun.com
Net Applications	HitsLink	www.hitslink.com
Nielsen//NetRatings	AdIntelligence	www.nielsen-netratings.com
Omniure	SiteCatalyst I2	www.omniure.com
Unica	NetTracker	www.unica.com
WatchWise Inc.	WatchWise	www.watchwise.com
WebSideStory	HBX Analytics	www.websidestory.com
WebTrends	WebTrends Analytics 8	www.webtrends.com