

# The 80/20 Rule of Search



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**SEARCHFACTZ**

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# The 80/20 Rule of Search

*Marketers who use paid search are realizing several critically important truths about paid search vendors and the role of technology in managing search programs. Companies are evaluating whether ROI goals of automated Search Engine Marketing (SEM) are being met and increasingly, marketing professionals find that results are falling short. SendTec believes that for SEM to live up to its promise, it is time for a completely new paradigm – the 80/20 rule of search. This Executive Brief will define this new rule of thumb, while examining the evolution of Search Engine Marketing. It will also explore the limits of technology and the value of human expertise in a successful SEM campaign.*

## Background

From the early days of the web, technology has seduced many marketers, leading them to believe the role of humans was insignificant if not totally unnecessary in effective online marketing applications. This notion is particularly evident in the area of paid search. Some of the commonly-held beliefs were:

- Search management can run on autopilot according to a set of rules
- Bids need to be changed dozens of times throughout the day
- Keywords must be inserted automatically into search descriptions

Marketers are now learning that this seduction is empty, and that words like “autopilot” and “set it and forget it” are no more than advertising ploys used by companies that simply don’t understand what it takes to manage search effectively. If a company claims that search engine marketing can be made easy by just using their tool or service, beware that your marketing dollars could be placed at serious risk. Saying or believing that search engine marketing is easy under any circumstance couldn’t be further from the truth.

## The Current Climate

There has been a significant shift in the way marketers look at search. Due primarily to some important developments, several key truths have become evident in recent months:

- Yahoo Search is abandoning their “open-auction” format for a Googlesque approach (read: invisible bidding environment) and no one really knows exactly what’s in store yet from MSN and Ask... it’s no longer business as usual.
- There is a real shortage of top-notch search marketing talent in this marketplace in comparison to the demand.
- The shift from “bid management” to “position management” is in full swing
- Search technology is now becoming a commodity, with most every player offering the same kinds of reporting and integration with search engines.

## Technology Myths

Because of what people hear, and how they interpret it, technology is given more credit for what it can do than it really deserves. They have come to the following conclusion: upload a group of keywords into a computer system, add some rules and the machine will take care of the rest, making perfect decisions on your behalf. All you have to do is sit back and watch the money roll in. These myths have come about because:

- Some vendors have misled marketers with overzealous ad copy
- Most marketers don’t fully grasp the limitations of technology in SEM.
- Overworked marketers who wear numerous hats want to believe technology would make their work lives easier

## Technology Limitations

To determine what technology can and can’t do, all you need to do is go back to the very basics of what computing is: “on/off” switches. While artificial intelligence and algorithms have been around for a while, there’s still no denying the fact that computers still can’t think like people, and they still rely on “yes/no” or “1/0” decisions.

Of course, today’s computers are faster than ever and they can make tens of thousands of yes/no decisions in a second, creating the illusion that they are indeed “thinking.” However, it still comes down to the inescapable conclusion: computers cannot make complex decisions like people can. Furthermore, when faced with an infinite number of scenarios to consider and the variables in human behavior, the quality of the predictive model comes into question.

To illustrate this, we can look back to the mid-1990’s when man was pitted against machine in the ultimate thinking and strategy game of chess. World Chess Champion Garry Kasparov took on the IBM Big Blue. In a riveting series of 12 games, Kasparov was able to defeat the computer algorithms 6 ½ games to 5 ½ games, proving that man could beat machine when interpretation of the competitive landscape is required.

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In paid search, we see that the competitive landscapes have many similarities to the game of chess, a challenging match of strategic position on multiple levels. You will see that this concept becomes extremely critical as you read through this brief. The process by which we make bidding decisions that are in the best interest of our clients requires us to process numerous pieces of information simultaneously. We make decisions based on everything we see, coupled with our knowledge of the client's objectives.

### The 80/20 Rule of Search

SendTec defines the new rule of search as follows:

- 20% of the success of a paid search program is rooted in technology
- 80% of the success of a paid search program is derived from a human component. This consists of marketers who interpret data and market conditions to make the best possible bidding decisions. These qualitative contributions involve developing expansive and relevant keyword sets as well as call-to-action marketing communications. They also include creating succinct landing pages that meet the expectations of search engine users and they set consumers on the conversion path.

### 20% - The New Role of Technology

So what exactly is technology good for as it relates to search? There are three areas where technology is crucial:

- Gathering, collecting and sorting huge amounts of data from numerous engines, giving us the ability to capture information for every keyword/search engine combination. These data points include:
  - Impressions
  - Clicks
  - Number of conversions
  - Dollar value of conversions

- Calculating important ROI metrics based on the data collected such as:
  - ROAS – Return On Advertising Spend
  - CTA – Cost To Acquire
  - CPL – Cost Per Lead
  - CPO – Cost Per Order
- Producing a wide range of reports presented in meaningful formats:
  - Top level summary reports
  - Detailed trend analysis
  - Grouped keyword analysis
  - Individual keywords

In the grand scheme of what's necessary to properly manage a paid search campaign, the areas above are all we can rely on in terms of technology, assuming we want to make the best decisions for our clients. That's why it's only 20% of the total picture.

### The Other 80% - The Role of Human Intelligence

There are five search-related functions that require the sophistication of the human mind in order to execute a successful paid search program. None of these can be effectively handled by technology:

- Keyword development
- Search term copywriting
- Destination page analysis
- Review of multiple variables when making bidding decisions
  - Types of competitors listed above and below you on a search engine
  - Marketing messages of competitors
  - ROI effects of raising bids
  - ROI effects of lowering bids
  - Historical position analysis
- Impact of affiliates, resellers and other third parties

## Keyword Development

While there are some automated tools available that give people ideas for keyword development, developing a robust keyword list requires both technical tools and intuitive thinking. During a search process, consumers often start with a general search term and refine their search requests to multiple phrase terms. Understanding the consumer's mind and intentions are key factors during this stage of your campaign build out.

There are a multitude of strategies to apply, including:

- Product names
- Manufacturer brand names
- Synonyms
- Misspellings
- Singular / Plural forms
- Website Content
- Product / Service feature
- Product / Service benefits
- Competitors
- Geographic
- Affinity Correlations

When properly applied, your keyword coverage will go from the hundreds to thousands to tens of thousands.

Because building keyword lists is such a time-intensive process, taking short-cuts can be enticing, including just the obvious keywords and setting match types to "Broad." Instead of developing thousands or even tens of thousands of words, marketers often settle for a few hundred. This, of course, is not in the best interest of your campaign and can sharply raise your CPCs.

## Search Term Copywriting

One of the most influential factors in paid search marketing success is marketing communications. The key focus of every copy strategy is to make your communication match the intentions of the searcher. When done correctly, your campaign will soar, if done poorly it will sink. Trying to automate the marketing communication development process is just not an option. When some companies have tried to automate this process, the results are laughable. The following are actual ads from eBay that were presented by Google on the search terms "dirty diapers" and "used toothbrush" respectively:

### Dirty Diapers

Looking for **Dirty Diapers**?  
Find exactly what you want today.  
[www.eBay.com](http://www.eBay.com)

### Used Toothbrush

Whatever you're looking for  
you can get it on eBay.  
[www.eBay.com](http://www.eBay.com)

Beyond this, there is a real art to writing search copy, because in three lines, without any graphics and with few words, you need to accomplish two goals:

- *EN*courage consumers to click on your ad, rather than your competitors'
- *DIS*courage consumers who are not qualified prospects for your product or service

When the proper marketing communication strategy is applied, the highest quality site traffic is delivered to your website with the greatest likelihood of conversion.

## Destination Page Analysis

One of the biggest and most frequent errors in paid search engine marketing, both at large and small companies, is consistently sending all searches to their home page or to pages that are totally irrelevant to the search term. Through its sharp growth, Google provides positive proof that relevant landing pages translate into consumer loyalty and satisfaction yet we continue to see advertiser after advertiser not take heed.

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Despite this, and not to mention that paid search marketing provides advertisers more control over relevant consumer experiences, irrelevancy thrives in paid search ads. This unfortunate disconnect is driven by over-reliance on technology and not enough value being placed on intuitive understanding of consumer behavior.

Consumers who search on a specific word expect to be taken to a page where they can find out more information or buy a product or service. These consumers are impatient and matured web-users, who not only expect but demand relevant content delivered to them subsequent to clicking on your advertisement. They expect the “ah-ha” effect, and if it is not delivered, they are just one click away from the competition.

The process becomes even more complex if a special offer is a part of your message. While offers look great on paper, if executed poorly on your landing pages, your campaign is sure to fail. If you are going to promote a 20% off clearance sale or free shipping, it needs to be communicated very effectively on your landing page to succeed.

There are a few key principles to incorporate into your landing page selection and evaluation of its effectiveness:

- Relevant site content that bridges consumer intentions of the search and the marketing communication strategy.
- Strong calls to action on landing page that communicates to site visitor the next steps they need to take.
- Elimination of barriers to take actions, such as site registration requirements or zip code location entry.
- Consistent evaluation that at least 60% to 70% of entry traffic from paid search actually conducts another page view on your site before exiting.

Don't be mesmerized by the needs for “multivariate testing” and “automated conversion path optimization”. The cost for such technological tactics usually far outweighs the value they bring. Simple common sense and consumer behavior understanding is all that is necessary for success.

## Review of Multiple Variables When Making Bidding Decisions

This is the area where most advertisers have accepted technology and applied it to their campaign as a substitute for human participation. By developing a set of rules (i.e. “if we are in position #2 and can buy position #1 for 20% more, always do that) that are rigid, users of “set it and forget it” methods leave it to technology to make bid and position decisions. The fallacy should be obvious: being #1 isn't always the right choice; often times dropping down in position makes more sense. Bid setting is not just about price, it's more about relevant position.

When SendTec makes decisions, five factors are analyzed simultaneously:

- **The companies that are above and/or below your listing:** Let's say you're a manufacturer of consumer products sitting in position #4. By reviewing the companies bidding on the same keyword as you are, you see that the companies in positions #1 and #2 are shopping comparison engines, so you easily conclude there is no reason to pay more money just to be ahead of comparison engines whose ads often get bypassed by the consumer. You might also see that a company in position #3, while bidding on the same keyword, is not really a competitor because their product costs a lot more or less than yours, so there is also no reason to move up to #3.
- **The marketing messages of your competitors:** A simple review of your competitors' marketing messages can often deliver a strong understanding of how consumers are interacting with your ad. Is your click rate diminishing? Has your conversion rate gone seriously down? Are your CPCs going up while your bid position is staying the same? These are all key indicators that suggest your competitors are winning the battle for consumer eyeballs.

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- **The ROI effects of raising bids:** The third factor analyzed alongside the other four is the effect that raising a bid has on your chosen ROI metric, such as ROAS, CTA or CPL. While you may want to move up from position #4 to #2, will your subsequent conversion rate increase enough to offset the increase in cost? The goal is to find the point of diminishing marginal return and ensure that your campaign is not spending exponential budget dollars for incremental volume gains.
- **The ROI effects of lowering bids.** Similar to the last one, there is often a temptation to drop in position to save valuable marketing dollars. But this needs to be carefully evaluated to ensure it makes sense. You could be sacrificing volume and your conversion rate. Consumers give higher consideration to higher positioned ads, therefore their likelihood of conversion is also higher. A simple decrease in CPC bids can help improve performance, but it is not guaranteed.
- **Historical position analysis.** By reviewing data for a given keyword that you have experimented with in different positions, you can add another layer of learning to the first four factors. If, for example, a keyword on Google has consistently delivered a 15% click-through rate in position #3, and when you've tested #2 or #1, the clicks remain pretty much the same, this data tells you that moving up doesn't increase clicks to a point where it's worth the extra cost.

Taking these five factors into account simultaneously is a task that can only be accomplished by the human brain, but is totally impossible for a computer chip.

## Conclusion

The all-technology solution for paid search is clearly enticing. Removing the need for human intervention results in less work, is more cost-effective, and it appears to provide a safety net. It just sounds great on paper. Unfortunately, many companies have tried the "set it and forget it" approach and paid the price. The reality is that technology, as it stands today, covers only 20% of the requirement for an effective campaign. These technologies have limitations due to their reliance on quantitative factors only. Qualitative factors such as consumer search intentions, marketing copy triggers, and irrelevant landing page content cannot be accounted for in an automated algorithm.

Human intelligence cannot be replaced in an unpredictable operating environment. Therefore, the other 80% of a successful SEM program has to have the human element – combining the complex intelligence of the human brain with cutting-edge technology.

The good news is that it's never too late to recover from the old ways by adopting the 80/20 rule. The sooner you adopt this online marketing paradigm, the faster your company will reap the benefits and harness the truly extraordinary power of the web.