

Executive Brief

Search Success

Starts With a Long Tail

and a Hockey Stick

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An Executive Brief by:

SEARCHFACTZ

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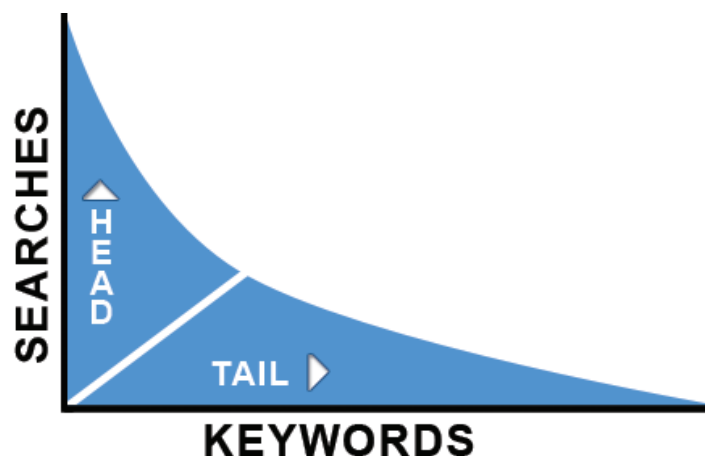


Search Success Starts With a Long Tail and a Hockey Stick

Long tails and hockey sticks have been around for ages, traditionally the province of statisticians, economists and mathematicians. Now, with the popularity of the best-seller *The Long Tail*, Chris Anderson's lay explanation of this phenomenon clearly details the revenue models and successes of a wide range of businesses including books, music, movies and Google. For successful SEM campaigns that reach both volume and productivity goals, it can be concluded this theory is one of the most important things to implement. *The Long Tail* solidifies what we've known for years.

In this Executive Brief, we will discuss what long tails and hockey sticks are, their relevance to search, and why understanding their power is so important. While the long tail and hockey stick theories have been around for a long time, they have really become more and more viable with the popularity of the web. Companies like Netflix, Amazon, Real Networks and others all have long tail business models.

The long tail curve looks like this:



Long Tail of Search

The left-hand area is the “head” and the right-hand area is the “tail.” The head is where the most popular books, movies and music sales occur, and the tail is where the less popular books, movies and music tracks are sold.

The basic theory is there’s a lot of money to be made by selling products that occupy the tail – but these are not the blockbuster hits. Brick and mortar stores can’t afford to carry very many titles, so as a result, titles in the tail are typically available online only, where companies are selling lots of them in the aggregate. In an online world, the cost to store a music track is minimal, even if it only sells once in a blue moon.

The book category illustrates this phenomenon very well (all statistics from Anderson’s book):

- Of 1.2 million books tracked by Nielsen BookScan, 950,000 or 79% sold less than 99 copies; only 25,000 (2%) sold 5,000 or more; and only 96 titles sold 250,000 copies or more. You have a head consisting of the top 2+% and the tail is the remaining 98%. Some of these long tail titles, available online at Amazon.com, BarnesAndNoble.com and other resellers, sold less than 10 or 20 a year, but in the aggregate, they add up: $950,000 \times 20 = 19$ million books!
- Barnes & Noble (bn.com) found the bottom 1.2 million titles represent just 1.7% of its in-store sales but a full 10% of its online sales. Because of on-site searching and an endless array of categories, consumers find long tail books more easily online than in stores.
- Researchers concluded that sales of books beyond the top 100,000 titles (typical inventory of a traditional book superstore) accounted for a whopping 40% of Amazon’s sales!

Closer to home, in the world of search, Google, and to a lesser degree, Yahoo! have both spawned two long tail models:

- **Publishers.** They both have a finite number of big sites (located in the head) that carry their search results, and a far greater number of smaller sites (in the tail) that in the aggregate become meaningful. Most of these so-called “sub-scale” (too small) publishers would never surface on the radar in a traditional advertising model, but because it’s all self-service, they can thrive with Google and Yahoo ads.

- **Advertisers.** Similarly, they both have a small percentage of advertisers (head) that spend a lot each month, and hordes of smaller advertisers that spend a couple of hundred or thousand dollars a month, but those pennies add up: 100,000 advertisers spending \$1,000 each a month is \$100 million a month in revenue. These long head advertisers can advertise without Google or Yahoo having to assign a sales rep because the entire advertising system is self-service.

The key to the success of both the long tails for publishers and advertisers is that the entire process is electronic. No human beings are required to service a small publisher or advertiser. Recent estimates suggest that 50% of Google’s \$1 billion per quarter in revenue comes from its long tail.

In fact, according to Anderson, some companies can generate 25%, 40% or even more of their revenues from the long tail. You will also notice that the tail goes on forever but never touches zero. It’s profitable for Amazon to offer every title in existence, even if some of them sell only one copy a year, because they can be drop-shipped or printed on-demand. It’s profitable for Google or Yahoo! to keep every tiny advertiser on its “electronic rolls” as every penny spent by those advertisers is very profitable.

Marketers will be pleased to learn that one of the earliest long tails was the Sears Roebuck catalog that was first circulated to rural farmers in 1897. Prior to this catalog, farmers had little choice except for the general store, which stocked a limited number of items. You basically had the choice of one or two brands of soap, coffee, tea, etc. You bought whatever the shopkeeper stocked.

Long Tail of Search

The catalog changed that. Farmers could now order dozens of different kinds of coffees, teas, cocoa, spices, extracts and many other items not stocked in the general store. While some types of coffees and teas sold the most (in the head), farmers bought and Sears earned revenues from the balance of teas and coffees which populated the long tail – in fact, 67 kinds of teas and 38 kinds of coffee – way back near the turn of the last century.

The Long Tail Application to Paid Search

Think of your keyword list in terms of the long tail. A small number of keywords you bid on are very popular and generate lots of searches, and in most cases, cost the most; they are found in the head of the tail. Quite the opposite exists in the tail: thousands or even tens of thousands of keywords that are much less popular, and less costly, live in the tail. While “jeans” on Yahoo! has 130,427 searches and being in the top position will cost about \$0.60, “designer jeans” has only 6,970 searches but the top position costs around \$0.40. Similarly, “low rise jeans” has just 4,781 searches, but again, CPC rates for top position are approximately \$0.36.

Our experience across a range of business categories suggests that creating huge keyword lists is well worth the effort because you can expand your volume while building out large lists of cheaper, and often more productive, keywords that live in the tail. Long tail keywords and phrases convert better at rates 100% to 250% higher than their more popular, more expensive keywords that live in the head.

Characteristics of Keywords in The Long Tail and It's Head

In our analysis of millions of keywords across 40+ clients and 6 engines, we found these rules of thumb hold true just about all of the time:

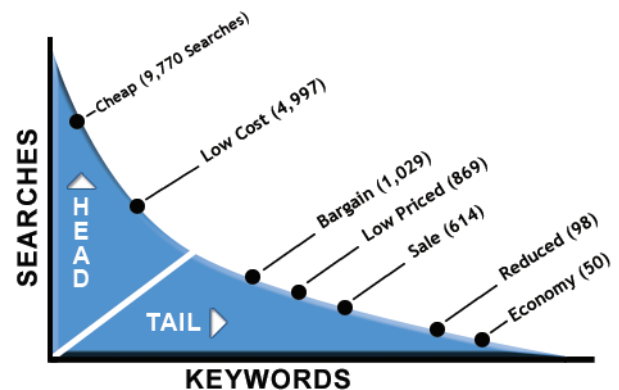
<u>Keywords in the Head</u>	<u>Keywords in the Tail</u>
More Searches	Less Searches
More Costly	Less Costly
Lower Conversion	Higher Conversion
1-2 Words	3-5 Words

Let's Create Our Own Long Tails

To illustrate why long tails are important in paid search, let's actually construct two of them. Let's assume you sell travel, and you're a discounter. You have airline tickets with great prices. First, let's make a list of the different ways you can say inexpensive. A recent Yahoo! tool yielded these results for a given month:

• Cheap airfare ticket	9770 searches
• Low Cost airfare ticket	4477
• Bargain airfare ticket	1029
• Low Priced airfare ticket	869
• Sale airfare ticket	614
• Reduced airfare ticket	98
• Economy airfare ticket	50

If the time period had been a year instead of a month, chances are other synonyms such as clearance, closeout, discount, cut-rate, economical, half-priced, thrifty, budget and others would have had searches. But let's stick with these seven – here's how they would look graphed in long tail style:



Now let's look at the bids (#3 position) for each of these:

• Cheap airfare ticket	\$0.95
• Low Cost airfare ticket	\$0.65
• Bargain airfare ticket	\$1.00
• Low Priced airfare ticket	\$0.45
• Sale airfare ticket	\$0.81
• Reduced airfare ticket	\$0.27
• Economy airfare ticket	\$0.12

As you can see, in general, the lower the number of searches (moving to the right on the tail), the lower the bids tend to be. While this sample is small, its purpose is the point and theory of the long tail. Why is this so important?

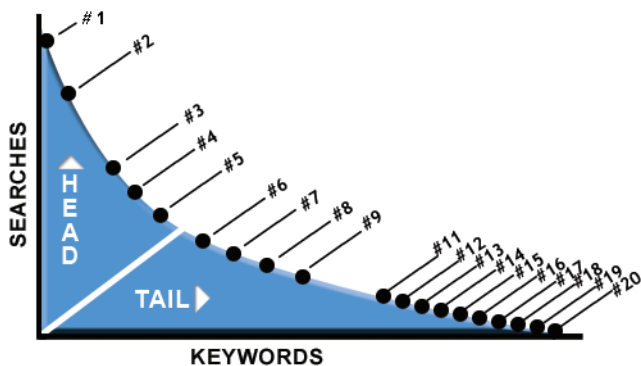
Long Tail of Search

By simply expanding your keyword list by a factor of seven, you can quickly expand keyword list from 10,000 to 70,000 phrases!

Now let's build another long tail, this time focusing in on variations of "cheap airfare" (excluding searches that mention a specific destination). The top 10 and bottom 10 searches are:

Number on Graph Below	Search Term	Monthly Searches
1	Cheap airfare	724,306
2	Cheap airfare ticket	9,770
3	Cheap discount airfare	3,284
4	Cheap flight airfare	3,032
5	Cheap last minute airfare	1,985
6	Cheap flight airfare ticket	1,644
7	Search cheap airfare	1,184
8	How to get cheap airfare	1,156
9	Cheap one way airfare	992
10	Cheap airfare lowest	723
11	Airline discount fly ticket	77
12	Airline ticket discount airfare	54
13	Ticket discount cheap airline fare	53
14	Airline airline cheap cheap discount discount ticket	49
15	Low fare discount airline ticket	47
16	Airline ticket discount web site	39
17	Airline discount tag ticket	33
18	Discount coupon on airline ticket	31
19	Discount airline ticket site	28
20	Air airline cheap discount ticket travel	27

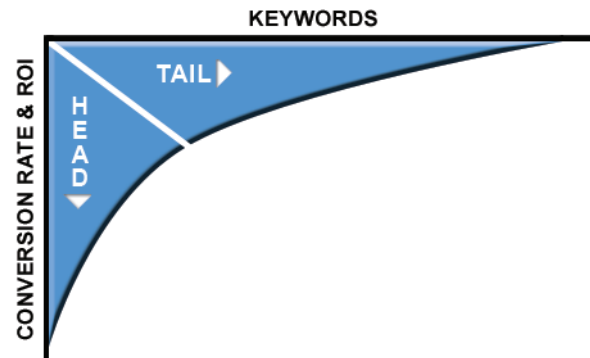
Represented in long tail graph style, this look likes:



As you can see, the shorter phrases of 1-3 keywords are clustered the head and the beginning of the tail, and the longer phrases of 4 words and up are in the tail. Building out keyword lists with variations of longer keyword phrases will yield positive results. You can see that many of these longer phrases use the same words (cheap, discount, airline) in different sequences. If you can develop 10,000 extra keywords, each with an average of 50 searches a month, they represent 500,000 searches on keywords where the bids will almost always be much less costly than popular keywords found the head of the tail. And while you can just apply a broad matching strategy on Google to cover these words, building out directly will significantly lower your costs by steering away from more highly competitive words in the head.

Enter the Hockey Stick

The inverse of a long tail is called a hockey stick. It looks like this:



As it turns out, profitability in paid search has an inverse relationship to the popularity and cost of keywords – the less popular and cheaper the keywords, the more profitable they are in terms of conversion rates and ROAS. While it takes a lot of work to build huge keyword lists, and with a scarcity of resources, it's not surprised that most companies don't have long tail keyword lists. They simply run out of time to build them, or don't have the skill sets to build long tails properly.

Growing the Tail

So how exactly do you grow the long tail, assuming resources is not an obstacle? Here's a typical listing from an ecommerce vendor.



Sunbeam Floral Bedding & Accessories

Embroidered dogwoods grace a luxurious silk-like yellow backdrop embellished with ruffles and tactile textures. Each comforter set includes a comforter, bed skirt and pair of standard shams (king shams for king set). A decorative pillow, neckroll, window panel pair and valance are also available. Lined panels and valance have 3" rod pockets. Polyester. Imported. Dry clean. Coordinating 250-count sheet set is graced with cream embroidery on the flat sheet and pillowcases in a soft cotton/polyester blend. Machine wash. USA.

From the category (bedding > comforter sets), and the description of the product, we can create the following keywords:

Bedding

Comforter set (with all "cheap" qualifiers)	Comforter sets
Cheap bedding	Floral bedding
Discount bedding	Floral comforter
Inexpensive bedding	Floral comforter set
Low cost bedding	Bed skirt
Bargain bedding	Pillow shams
Sale bedding	Pillow
Reduced bedding	Neckroll
Comforter	Sunbeam (brand name)
Comforters	Valance
Cheap comforter	Cotton polyester bedding
Discount comforter	Yellow bedding
Inexpensive comforter	Sheets
Low cost comforter	Pillowcases
Bargain comforter	
Sale comforter	
Reduced comforter	

...and this is just the beginning.

Wagging the Tail

Now that you've grown your long tail, how do you wag it? How do you generate conversions from these less popular, less costly search terms? Of course, the answer is your search description copy and landing page strategies. To learn more about the art and science of writing search copy and constructing landing pages, read Tim Daly's (SendTec's SVP, Marketing & Strategy) article "The Write Stuff for SEM" published in Multi-Channel Merchant Magazine, available at www.sendtec.com/articles.aspx, as well as other white papers, articles and Executive Briefs.

Conclusions

When thinking about your paid search campaign, think long tail and hockey stick. It really is just that simple. Yes, it's a tremendous amount of work, but its well worth it.