



Lesson 10: Pay Per Click

By the end of this lesson you should:

- Understand what Pay-Per-Click advertising is
- Be aware of the major players in Pay-Per-Click
- Understand the importance of Quality Score (QS)
- Understand the benefits of a Pay-Per-Click as part of an online marketing strategy
- Understand how to set up a Google Adwords account
- Understand how select keywords and craft a Pay-Per-Click ad
- Be aware of the key metrics used to measure Pay-Per-Click
- Be aware of the steps required to set up a Pay-Per-Click ad

Introduction

Pay-Per-Click (PPC) advertising was first introduced in 1998 as a way for advertisers to literally “pay per click” when an advertisement is clicked by a potential customer. The mechanism was an instant success and was adopted by Microsoft, Yahoo and later Google - replacing the standard advertising model of ‘Pay-Per-Impression’ where advertisers pay for the volume of advertisements shown.

PPC is now the standard mechanism used by search engines, shopping portals and social media websites for selling advertising.

There are 3 major search engines worldwide: Google with 93% market share in Australia; and Microsoft (Bing) & Yahoo! with 7% market share combined. Google’s PPC system is called Google AdWords, while Yahoo! & Bing is called Bing Ads. In comparison, in America

Google has approx. 60% market share, with Yahoo having 11% and Bing enjoying another 18%.

The three major search engines also have display networks: Google AdSense is by far the largest; followed by DoubleClick which is also owned by Google.

More recently social networks including Facebook, Twitter, YouTube and LinkedIn have adopted PPC options to commercialise their networks. The options and costs involved in engaging in pay per click activities on each network vary.

The key players in PPC are:

- Google: Google AdWords - <http://adwords.google.com>
- Microsoft & Yahoo: Bing Ads - <http://advertise.bingads.microsoft.com>
- Facebook – <http://www.facebook.com/advertising>
- LinkedIn – <https://www.linkedin.com/ads/>
- Twitter - <https://business.twitter.com/start-advertising>

Quality Score

The most important aspect of PPC is to understand the auction mechanism and know how to take advantage of it. Positions and profit are determined by how much you bid (\$) and Quality Score (QS). Google rewards the advertisers that engage with customers the most efficiently and effectively. Learning how to improve Quality Score reduces the cost per click (CPC) and increases traffic, orders and profit.

Position = Bid (\$) x Quality Score (QS) Quality Score = click through rate (CTR) + keyword relevancy + text ad relevancy + adgroup relevancy + landing page relevancy e.g. Two advertisers: one business is called 'BMW Wipers Inc' [A] and the other is 'BMW Sales Inc' [B].

- [A] sells BMW windscreen wipers; [B] sells new BMW motor vehicles
- [A] makes \$10 profit each sale; [B] makes \$1,000 profit each sale
- [A] targets "bmw windscreen wipers"; [B] targets all "bmw" keywords
- [A] bids \$0.10 per click; [B] bids \$1.00 per click

A potential customer types "bmw windscreen wipers" into Google and both ads are displayed.

Google expects to make more money from [B] because the bid is 10 times greater, so starting positions are: [B] 1st & [A] 2nd

However, because [A] is offering customers exactly what they are looking for in the text ad, more people click on [A] than [B] despite it being in 2nd position. After sufficient data has

been accumulated Google's algorithm then calculates the Return On Investment (ROI) for both ads.

Because Google makes more from BMW Wipers Inc, the positions are then flipped: [A] 1st & [B] 2nd. Now BMW Windscreen Wipers Inc is in 1st position with a much lower bid! The result: ads with higher Quality Scores generate MORE clicks & MORE customers for LESS cost!

It is also important to understand that an optimised website (achieved through SEO) can benefit your Pay-Per-Click campaign. In short, you will tend to pay less per click and will achieve a higher Quality Score (QS) if your website (and specifically the pages on your website you are sending PPC traffic to) are optimised to be relevant to the advertising campaigns you are running.

Benefits of Pay-Per-Click Advertising

One of the main benefits of advertising on a search engine is that you can ensure your ad will only appear when people enter the keywords that you specify.

Imagine you have a hairdressing business located in Cairns, Queensland, Australia. If you advertise in a local paper your ad might not appeal to all the readers. However, with search engine PPC advertising you can target your advertisements to only appear when people are using specific search terms like "hairdresser Cairns" or "Cairns hair salon" or other relevant keywords.

Because of its high flexibility and relatively low cost, PPC is an online marketing channel that every business should consider. If the campaign is not successful or timely, you can simply pause it or deactivate it.

Here are some other reasons why PPC can be a great online marketing strategy:

- **Cost effective** - PPC is cost effective: you will only pay a predefined amount when someone clicks on your ad. Your ads will therefore be displayed for free. In PPC jargon, the number of times your ads are displayed is called the number of impressions
- **Immediate Flexibility** - As soon as you turn your campaign on, your ads will begin appearing on the first page of Google. As soon as you press the stop button, your ads will automatically stop running. Pay per click is a form of advertising that can be set up, left running for as long as you want, paused, re-started, altered, cancelled, etc. The campaign can be accessed and changed at any time using any Internet-enabled computer, as the majority of PPC services are online-based and fully automated. There is no minimum amount that you have to spend and you can increase or decrease your daily budget at any time

- **Tracking** - Because everything is based online, you will be able to know exactly which ads were clicked, which ads converted into customers, and which keywords your target market is using to search. Basically you will gain market intelligence on what works and what doesn't. Once you know what keywords and ad copy works best for your business you can use that keyword information and ad copy within the content of your website to naturally increase its search engine rankings!

Google Adwords

Because Google is the most widely used search engine in Australia we will be exploring Google AdWords in more depth than the other search engine pay-per-click programs.

However most of the principles that we will cover can be applied to Bing Ads.

A PPC campaign is made of multiple campaigns which contain ad groups, which in turn consist of keywords and ad texts. When a person searches Google using a keyword (that you have specified) your ad is displayed on the search engine results page. Keywords and advertisements are grouped together in ad groups to enable you to write different ads for different groups of keywords.

Here is an example: Imagine you own a tour booking company in Cairns, that specialises in day tours such as visits to the Great Barrier Reef, white-water rafting and hot air ballooning.

When somebody searches Google for 'hot air ballooning Cairns' you would ideally want an ad to appear that is promoting 'hot air ballooning':

Hot Air Balloon Cairns

View the World from Above
Half-day adventure for \$310
www.CairnsDayTours.com.au

Rather than a generic ad that reads:

Cairns Day Tour

Book your Cairns Day Tour with us!
Great Prices, Established 20 years.
www.CairnsDayTours.com.au

By splitting your keywords into ad groups you can make sure that targeted ads display for your different services and products. In addition to this, if your ad text includes the keyword that was being searched for, the keywords in your ad will appear in bold:

For example: John searches Google using the keyword "Hot Air Balloon Cairns".

The advertisements that include John's keywords "**Hot Air Balloon Cairns**" are marked in bold.

Watch this 2-minute video below that explains Google Ads and how they work.

<http://youtu.be/ka4tCkYXHiE>

Setting Up Google Adwords

Setting up a Google Adwords account is quite simple to do. The good news is even if you don't know if you have the budget or are keen to actually advertise, it is possible to set up an account but not activate it i.e. not incur any fees until such time as you may want to.

EXERCISE 1: Setting up a Google Adwords account

a) Watch the 3 AdWords basics videos at Google AdWords Learning Centre. It will take you 15 <https://google.connectsolutions.com/p41295878/>

b) Set up a Google AdWords account (reminder – even if you don't know if you have the budget or are keen to actually advertise, it is possible to set up an account but not activate it i.e. not incur any fees until such time as you may want to)

To do this:

1. Go to <http://adwords.google.com>
2. Click "**Start Now**" (top right corner)
3. Login with your Google Account
4. Select your time zone
5. Log in to your account on <http://adwords.google.com>
6. Follow the prompts to set up your campaign
7. Eventually you will be asked to setup your ads

Don't spend too much time on this as you can come back to this later. Do it quickly and follow all the steps.

Note: Choose your payment information carefully. If you later decide to change your payment options, and you've already started your ads, you may have to set up a new account.

The two payment options are:

1. **Postpay Billing** - Postpay Billing is the easiest way to manage your AdWords billing. Google automatically debits your card to pay for the clicks after the clicks have occurred (you can control the amount that you spend via the daily budget).

2. **Prepay Billing** - The prepay option allows you to transfer money to Google to pay for the clicks. When your money runs out your campaign stops running and you must login to AdWords to transfer additional funds.

Important note: If/when you enter your credit card details Google will charge you a once off \$10 activation fee.

EXERCISE 2 - Select your keywords and craft your ads:

a) Retrieve your notes from lesson 2 where you evaluated your competitor's keywords, and other lessons where you reviewed selected the keywords and key phrases you would optimise your website with. In addition to these you can use the AdWords keyword tool (log into your account Tools /Keyword tool and also found here:

<https://adwords.google.com/ko/KeywordPlanner/> - you will need to be logged in to access it).

b) Group your keywords into ad groups. The number of ad groups that you will need will be determined by the number of different products and services that you are advertising.

c) Refine the matching type of your keywords.

Visit: <http://support.google.com/adwords/bin/answer.py?hl=en&answer=6100>

d) Source your negative keywords and add them to you ad groups and campaigns: for instance, Gold Coast would be a negative keyword for the above 'Hot Air Balloon Cairns' campaign. This will prevent the ads from appearing when someone searches for "hot air balloon Gold Coast". Other negative keywords would be Melbourne, Perth etc.

Bing Ads

[Microsoft \(Bing\)](#)

Bing claim that nearly 5.5 million Australians use Bing every month. Bing Ads are already in 20+ markets worldwide and in most cases Bing and Yahoo have partnered to take on the behemoth that is Google however in Australia navigating this territory is not so straight-forward.

Back in 2006, Yahoo partnered with Channel 7 to create a new content and search entity, Yahoo!7 and subsequently MSN (now Bing) did a deal with Channel 9. Suffice to say, when it comes to getting Yahoo and Bing together in Australia, it's well... complicated, and presents territorial challenges for Bing when it comes to breaking into the Aussie market.

Despite all this, the exciting opportunity for business owners in Australia is that Bing is trying hard to win new customers, and with Bing Ads effectively being an auction sight, right now bids are low so now is an ideal time to sign up for a Bing account and enjoy some low cost per clicks.

Of course Bing are making it as easy as possible for people to get started, with the ability to import Google AdWords campaigns into your Bing Ads account and plenty of customer support.

Yahoo

In Australia, when it comes to Pay Per Click advertising with Yahoo, it is Yahoo7 ([as explained in the Bing lesson](#)).

Yahoo claim to have more than 5.35 million registered users in Australia who have told Yahoo7 a lot about themselves, including date-of-birth, postcode, gender, and occupation, plus a wide range of self-identified interest areas giving them the ability to help you target them through advertising solutions.

When it comes to search advertising on Yahoo, see this page: http://advertisingcentral.yahoo.com/searchmarketing/en_AU.

Facebook Ads

When Google AdWords allowed the marketers of the world to position ads in front of web searchers in a specific geographic area, we all thought it was the best thing since sliced bread.

Never before did we have the ability to market people in such a targeted way. Facebook however has certainly taken things a step further and is now the most targeted form of demographic marketing available to any business owner.

Whilst the number of users is currently lower than search engines, it continues to grow exponentially. There are over 12 million Facebook users in Australia and 1.2 billion globally.

Each time a person opens a Facebook account they capture a range of social and demographic information such as age, location, interests, marital status and education, and they allow advertisers to specify exactly which of these demographics you want to display your ads to.

For example:

- You want females aged 25 – 35 years in Brisbane who are engaged? You got it!
- You want to target your advertising to gay men in Sydney aged 18 – 40 years? (and yes Facebook users can even specify their sexual preferences which allows advertisers to target them) You got it!

Some of the main difference between advertising on Google and Facebook are:

- With Adwords your choice of keywords within your title, ad copy (and website page you are sending visitors to) has an impact upon the amount that you pay-per-click.

- With Adwords your ad is displayed to people searching for your keywords, whilst with Facebook your ad is displayed to people that match your specified demographics.

Facebook has tight terms and conditions around their advertising platform but are continually adding to the types of ads and promotion styles available – at last check there were 32 different types of ad combinations that can be run.

For most markets it is worth spending some time investigating the power of this form of advertising. Facebook themselves has provided good guides to getting started at: <https://www.facebook.com/business/ads/>

EXERCISE 3: Facebook ad campaign

a) Experiment with setting up a Facebook ad campaign. Send click-throughs to your website and Facebook page and analyse through your stats which one works better. Review the ads and evaluate which ones work better.

LinkedIn Ads

Business social networking site LinkedIn also offer PPC advertising. If you promote things that are interesting to professionals then this medium might suit you as you can target people based upon their location, industry, job type and more.

However, unlike Facebook and AdWords, you cannot target people that live in specific areas of Australia, you can only target at the country level i.e. all of Australia.

Generally, the amount that you pay-per-click is higher than that of AdWords and Facebook. However LinkedIn offers a very niche form of demographic advertising. So if you are promoting something that fits in with this, particularly if you are marketing to other businesses, it is possible you will have a great success with well-targeted and carefully crafted ads.

LinkedIn has provided lots of information on how to use their advertising platform here: <https://www.linkedin.com/ads/>

We also found the following guides extremely helpful in understanding how to get started with, and maximise, LinkedIn ads:

- <http://blog.kissmetrics.com/guide-to-linkedin-ads1/>
- <http://blog.hubspot.com/blog/tabid/6307/bid/24509/An-Introductory-Guide-to-Highly-Effective-LinkedIn-Ad-Campaigns.aspx>
- <http://www.socialmediaexaminer.com/5-steps-to-successful-linkedin-advertising/>

Key Metrics

Key metrics – how you know if you're doing okay... there are three key metrics in PPC:

1. **Click Through Rate (CTR)**
2. **Quality Score (QS)**
3. **Conversion Rate (ECR)**

Click Through Rate (CTR) - The click-through-rate is a percentage score calculated by dividing the number of clicks by the numbers of impressions. The click-through-rate is metric to gauge how interested the audience is in your ads. A click through rate of 1% and above is generally considered 'good'. The more targeted your keywords and ad text is, the higher your clickthrough-rate will be.

Quality Score (QS) - A Quality Score is assigned to every keyword and ad, the lowest score being 1 and the highest score 10. The higher your quality score, the less that you pay-per-click.

Conversion Rate (ECR) - The 'conversion rate' is measure of your advertising results. First of all you have to identify what a conversion is: it could be a sale, a lead or an enquiry and it could be in the form of a phone call, an email, purchase of an online product or even a subscriber to your newsletter.

To measure your conversion rate you look at how many 'conversions' you have received and divide this by the number of people that have clicked on your advertisement. For e-commerce businesses anything over 1% is 'okay', over 2% is 'good' and over 3% is 'great'. For lead-generation businesses the benchmarks are more like over 5% is 'okay', over 10% is 'good' and over 15% is 'great'.

For example: 100 clicks per month and 5 telephone calls = 5% ECR

Factors that can affect your conversion rate are:

- The landing page's content meets the requirements of the people who visited after clicking on your advertisement
- There is a call-to-action (a motivation for people to buy). An example of a call-to-action would be: Click here to book now!
- That your product can be easily purchased / enquiry for your service is straight-forward

Getting Started

Ready to get started with PPC? There are a few considerations and steps that you need to take in order to get started with PPC ads.

First you will need to decide which search engines or other networks you would like your ads to be displayed on, you will need to:

1. Set up an account
2. Do your keyword research
3. Group your keywords into themes
4. Write an ad for each keyword theme
5. Create your campaigns (groups of ads, keywords, bid price)
6. Link your Google Adwords campaign to your Google Analytics account
7. Set up Conversion Tracking if it is required
8. Go live
9. Review your quality score & ad position
10. Let the campaign run its course
11. Track and fine tune on a weekly basis

DIY or Get Help?

Setting up and managing pay per click campaigns can be time consuming and requires a lot of research and ideally, active management. Whilst it is possible to set up and manage pay per click campaigns without the assistance of a professional, if you do not have sufficient time or interest in managing your pay per click campaigns, it is advisable to consider hiring a pay per click professional to at least set up the campaign up for you correctly, if not assist you to manage or review its performance.

THAT'S ALL FOR NOW!