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Sunday, April 16, 2006

Paying by the click

By Joe Gardyasz
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Lee Roy Porter knows he may pay as much as \$10 each time someone clicks on an ad for his mortgage company, which appears when people search for keywords such as "Des Moines home refinancing" on such popular search engines as Google and Yahoo! But he also knows that highly targeted customer who clicks on the ad could mean a deal worth thousands of dollars.

Porter, who began a pay-per-click campaign for his company's Web site about four months ago, said the \$1,000 to \$1,500 per month he's spent for the ads has yielded about \$50,000 in additional monthly revenues.

"We've probably generated at least 20 to 30 [additional] loans over the past 90 to 120 days," said Porter, owner of Essential Mortgage Inc., a West Des Moines-based mortgage broker. Initially skeptical about the usefulness of pay-per-click, Porter now says, "it's probably one of the best things we've done in the last year or two to promote our business."

Through search engine advertising, also known as pay-per-click or search engine marketing, businesses bid with search engine companies such as Google, Yahoo! and MSN for placement within the sponsored-site positions that appear either at the top of the page or along the right-hand column. Each of those clicks may cost a company anywhere from 10 cents to \$10 or more, depending upon how competitive the category is, but provide placement that might otherwise take a year or more to attain through search engine optimization.

Central Iowa businesses are just beginning to discover the possibilities of search engine advertising, said Jeff Carey, a Clive-based Internet consultant who specializes in managing pay-per-click campaigns. His business, WSI Resources Inc. (www.wsiresources.com), currently assists about 75 companies, among them Essential Mortgage, in bidding on and managing their pay-per-click campaigns.



\$65⁰⁰

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"The first thing about the Internet that I think business owners catch on to pretty quickly is how targeted it is," Carey said. "When you decide to run an advertising campaign on the radio or TV or print, you're in front of a lot of people who aren't looking for you, or they could use your service but they're not looking for you today. When somebody does a search, they're looking for you at that moment. They're already in either research mode or buying mode, and now it's just a matter of putting your business in front of them at that moment and giving them an opportunity to come do business with you."

Google, which according to some estimates handles about half of all Internet search traffic, derived nearly all of its \$6.1 billion in revenue last year from keyword advertising. Competitor Yahoo! last year ran more than 250 million individual keyword ad listings, which accounted for an estimated half of the company's \$3.7 billion in revenues.

Advanced Search



Not every business is a candidate for pay-per-click advertising, though many could benefit from it, said Chris Kane, owner of Jordan Creek Web Design (www.jordancreekdesign.com). The West Des Moines-based firm advises companies on search engine advertising, but directs them to Google, Yahoo! or MSN for those services rather than managing their campaigns.

"The more specialized your business is, the less likely it will benefit from pay-per-click," he said. However, retail businesses or professional services such as law firms or accountants should use pay-per-click, along with traditional marketing channels such as newspaper ads, to drive more traffic to their Web site, Kane said.

"Many people are still bound by the paradigm of [using only] traditional marketing," he said. "I think it's going to be another year before more and more people get into search engine marketing."

Carey, a University of Northern Iowa graduate, learned about search engine advertising while working for two Greater Des Moines employment benefits companies over a 10-year period.

"I got so interested in doing it that I built a couple of Web businesses and sold them," he said. "Then I started doing seminars throughout Central Iowa to talk to local small business owners about what they were doing on the Internet to give them a simple Web presence. About three years ago, I decided that was where my passion was: helping business owners with the technology available to them online that most of them, quite frankly even today, have [not yet] discovered."

Carey said the small business owners he worked with were often frustrated that, unless potential customers knew their company's name, they were unlikely to find their site by doing a keyword search.

By researching keywords and what it would cost to bid for one of the top ad spots, "I would show them how, within two or three days, I could put them right there on the first page of the search results and start bringing very targeted customers right to their door," Carey said. "That was very exciting to them. Their eyes would light up. They'd say, 'This is what we think we need to get our Internet presence going.'"

Carey advises clients to also work to optimize their Web sites so they will eventually come to the top of the non-paid search results, but to use search engine advertising to bridge the gap until that happens.

"I think the ultimate goal is to be able to get companies in a position where they don't have to pay for the traffic, except where that makes sense for them to do it in markets where they couldn't get in because of the competition," he said. "If there's not a lot of competition for their service online, my goal is to start them out by teaching them what people are looking for in terms of keyword phrases,

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which are converting to sales, and to be able to concentrate on those keywords to begin to develop some free search traffic.”

Realizing that some of his clients would need Web development services for creating or updating their sites, an expertise he didn't have, Carey purchased a franchise through WSI Resources Inc., an Ontario-based company that specializes in building Web sites. WSI contracts with 12 Web design firms for services.

Among the services Carey provides through WSI is a tracking tool that enables his clients to pinpoint each phone call, e-mail or online response form generated by a search-engine click.

For one auto dealership Carey recently worked with, its monthly report showed that its pay-per-click campaign brought more than 600 visitors to its Web site in one month, resulting in about 90 new contacts to the dealership by phone or e-mail.

“The tracking system allowed the dealership to view the telephone numbers from each response and the duration of each call, as well as show the cost per day for getting those new contacts,” he said.

Click fraud, an increasing threat within the industry, does not appear to be an immediate concern for Central Iowa businesses, Carey said. In cases of click fraud, a competitor or third party repeatedly clicks on a company's ads in an effort to either drive up their cost per click or to create the impression that a business is obtaining results while driving up revenue for the search engine companies.

“If Google or Yahoo! detects what seem to be fraudulent clicks, they have a system in place to look at that,” he said. In most cases, “they're catching it so well that you're not even seeing those [fraudulent] clicks on your bill.”

Regularly reviewing their tracking reports can help alert customers to potential click fraud so that the search engine company can be notified, he said.

Carey said he advises all of his clients to establish a monthly budget, evaluate how well various keyword searches are working over the first few months and then refine their bidding for the most effective search terms and placements.

Using a monthly budget of \$300, for instance, a business has \$10 per day to work with. If it bids for space at 25 cents per click, Google would know that it can give the company 40 visitors per day, after which the ad will turn off and not resume until the next day.

“If you have too low of a budget, they won't show your ad often enough for you to get people to your site,” Carey said. “So you have to make sure your budget allows for your ad to show enough times for somebody to click on it.”

For Porter, who said he bids on 18 search words or phrases, his cost per click varies from about \$2 to \$10, depending on the popularity of the terms that are used. On average, the cost per click for a potential customer to find his Web site, which was launched in November 2005, is about \$5. “Is it worth it? Yes,” he said.

Some of Carey's clients budget as little as \$50 a month for their pay-per-click campaigns, though the majority spend between \$200 and \$1,000 per month.

“What I'm seeing from my customers is that the average cost per click is 25 to 50 cents,” Carey said. “I have some customers that pay more than that and I have plenty that pay less than that.”

As a business that uses pay-per-click to bring more traffic to its site, “if you can bring in 60 to 70 people per day, and convert 2 percent of those clicks into new

customers, that's about 40 new sales per month," he said. "With a \$50 item, that's \$2,000 in new revenue per month."

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