# MGT 6311

# Week 3 Transcripts

## Lesson 3.1: Introduction to Paid Search Advertising

>> Welcome to the module Paid Search Advertising. We will focus on several aspects of Paid Search including, Paid Search Fundamentals, Search campaign Structure, Search Campaign Planning, Keyword Targeting and Matched Types, AdLink Factors, Launching a Paid Search campaign and break-even point and pricing analysis. Before we begin this first lesson, I want to provide a quick disclaimer regarding my focus on Google.

As you know, there are several other search engines, including Bing, Baidu, and Yahoo, among others. Google, however, dominates both U.S. and global market share for search that's when referring to search engine as well as depicting examples, I'll be focusing on Google 99% of the time. This doesn't mean, however, that as a marketer, you should ignore the other search engines.

Before diving deeper into the channel of paid search, let's begin with a discussion of paid search fundamentals. In this lesson, I wanna introduce some core terminology, and the basic aspects associated with search advertising, as well as highlighting some recent changes in search results. Pay Per Click is known as advertising for which the advertiser pays only for each click on their advert.

A search engines results page is the page that shows the results for a search on a search engine. A keyword is a word found in a search query. For example, a search for blue widgets includes the keywords blue And widgets. And click through rate is the total clicks on a link divided by the number of times that an ad link has been shown and it's expressed as a percentage.

And finally a landing page is the first page a user reaches when clicking on a link in an online marketing campaign. The pages that have the most success are those that match up as closely as possible with the user's expectations. Within the digital field you will oftentimes hear people refer to page search advertising as PPC.

This is technically incorrect, as there are multiple opportunities to leverage a PPC model, including search, display, social network and mobile network advertising. Within this lesson, we will be focusing on PPC specifically within search, otherwise known as paid search or paid search advertising. Organic or natural results are the ones shown below the orange dashed line and are not directly paid for.

We'll be covering these in the next module. The ads at the top listed with the green colored ad box are paid search ads which is a focus of this module. Google changes its search results layout from time to time. So don't be surprised if the color, wording, or placement associated with page search ad listings presented is different than shown above.

The bigger question for an advertiser to ask when these changes are made is why? And then determine how to leverage the changes to the organization's advantage. For perspective, I wanna illustrate some of the search engine result page changes over the past couple of years. This desktop search was performed on May 25th of 2016.

Also, to clarify when we say desktop search, we also mean from a laptop. For this search, it's surround sound speakers, Google displays page search ads at the top left side column denoted with the yellow colored ad indicator. To the right is a shop section showing results for actual products that can be found in the shopping category.

Underneath the paid search ads in the left side column are the organic results. If we were to wind the clock back a bit further, we would see an even more pronounced two column lay out, where they would be more ads in the right hand column. Presuming advertising demand, Google would have served up 10 to 11 ads On the search engine result page.

Typically with three at the top of the left hand column. And the remainder down the right hand side. Occasionally, we would see an ad at the bottom of the left hand column as well below the organic results. This search was performed on April 15, 2018. Note that Google has shifted to a one column layout on the which aligns with what they call their mobile first strategy and this change was made in early 2016.

The ad indicator has changed the color from yellow to green. Hierarchically, the SERP presents a shopping section Paid ad and organic listing in this example. In this new format, Google will show a maximum of four ads at the top of the page and three ads at the bottom of the page, for a maximum of seven ads.

For comparison purposes, I conducted the same search on Bing, also on April 15th of 2018. For this search also for surround sound speakers Bing displays multiple paid search ads at the top in the left-hand column, four total in this screen shot. Below these ads in the left-hand column are the organic results.

In the right-hand column are multiple listings found in the shopping category along with the related searches section. Essentially following a relatively similar approach as the one used by Google. This concludes the lesson on page search fundamentals. In the next section we'll look at campaign structure and the elements associated with building a paid search ad.

## Lesson 3.2: Paid Search Ad Components & Landing Page Significance

>> Now that we've covered the basic terminology and fundamentals of what paid search is, let's continue to dive deeper. There're several components associated with paid search advertising, and I'm not sure there's a perfect starting point for an educational discussion related to this channel. Because so many parts are involved and there are dependencies upon one another.

That's said, within this lesson I'll address the components associated with the paid search ad, and also talk about landing page significance within this realm. So within this lesson, our goals are to talk about the anatomy of paid search ads and ways to leverage ad extensions, and again, we'll talk about landing pages within the context of paid ads.

The general structure or anatomy of a paid search ad consists of three primary sections. A headline, a display URL and path, and a description. Let's start at the top. The first element we can control is the headline of the ad. Now that Google has modified the paid search ad structure to what they call expanded text ads, we actually have the ability to put content into two, versus just one headline section.

The headlines are separated by a dash. Quick note, the headlines may display differently depending upon the device someone is using when they view your ad. This is the headlines may be on a single row, or possibly carry over to two rows. Again, this is Google's way off addressing user experience across devices, and realizing we have less viewable real estate on a mobile phone, for example, as compared to a tablet, laptop or desktop.

The character limits, which include spacing and special characters, for each headline section is 30 characters. Most special characters, such as umlauts and cedillas, will appear correctly in your ads, including within the display URL. The next section of the ad is the display URL and path. This is made up of your domain name from your final URL.

The final URL is the URL address of the page in your website that people will visit when clicking your ad and it must be the primary domain of the final URL. So let me clarify, for example, although Home Depot owns the domains homedepot.com and hdsupply.com, the company cannot list their primary domain URL for one site and take the user to the other site.

The ad platform will perform this check to ensure alignment. In addition to listing the primary domain, the marketer can also list up to two domain paths with the character limitation of 15 characters each. These can be used to help people better understand where they will be taken within the website, once they click the ad.

As you can imagine, marketers typically wanna take a user to a specific page, within a specific section of the website, versus simply taking them to the web site's homepage. The purpose, of course, being the goal of providing as much relevancy as possible. The display URL is referred to as a vanity URL, because it is not necessarily the actual URL that the user will navigate to.

Oftentimes actual URLs are lengthy and/or contain esoteric tracking data that is of no practical use to the user. Thus the implementation of a vanity URL is to ensure a more clean, easily readable user experience. The final and third section of the ad is the description portion of the ad.

The character max length for this section is 80 characters. And in this section, the marketer wants to use copy that is both engaging and informative. Best practices include providing a call to action to further entice a click. This might include language related to a sales promotion, and/or encouraging the user to take immediate action.

For example, get started on your quote, download now, or open an account today. The search ad shown at the bottom for comprehensive Iinsurance illustrates the basic structure of an ad. In addition to the basic structure of a paid search advertisement, meaning the headline, display URL, and description text, we can also include what are called manual ad extensions.

These manual ad extensions are ones the marketer can choose to include or not include in the ad. To make matters a bit more confusing, there are ad extensions that Google may automatically add, referred to simply as automated extensions. In either case, including these extensions does not increase the cost of the ad.

Thus the important point is to contemplate the goal of the ad and use extensions accordingly. It's also worth noting that the availability of ad extensions may change from one search platform to another. Meaning ad extensions available on Google may not be available on Bing and vice versa. And the platforms may add and discontinue extensions.

I'm going to highlight six common manual ad extensions, but you are encouraged to explore extensions further when creating actual ads. In the Yogli Mogli ad example, we see the use of a location extension that includes the physical address of the store. A user can click on this extension to get more information about your location.

For the Intown Bicycles ad we see the use of a call extension to denote the telephone number for the store. On a mobile phone this extension is clickable and will activate the call feature on the phone. In the Golf Clubs ad we see the use of sitelinks to drive users to specific pages within the site.

When sitelink extensions appear on a desktop or laptop, two to six sitelinks will be displayed. They may be displayed on a single row or fill up to two lines of the ad. When sitelink extensions appear on a mobile phone or tablet, up to eight links may be shown side-by-side in a carousel format that the user can swipe left and right to access the links.

And again, these are also clickable. In the Shutterstock photos ad, we see the use of the callout extension. Callout extensions allow the marketer to include additional text up to 25 characters in length for each callout. In Google's AdWords platform, if the marketer chooses to use callout extensions, they must use at least two callouts and a maximum of four callouts.

In this ad, we see a total of four callout extensions, which are separated by a dot. These callout extensions are not clickable. In the Custom Cards ad we see the use of price extensions. Which are shown below the text ad on both desktop and mobile devices. They are shown as a set of up to eight cards and they are clickable.

When clicked they will take the user to the specific product page within your site. There's a maximum of two charges per impression for clicks on the ad's price ad extensions. In the Cheap Hotels ad being shown by Expedia, the app extension is being used to link the user to the app store to download their application.

Clicking on the ad's headline will take the user to the website, while a click on the app extension takes the user to the app description in Google Play or the Apple App Store. The ads that we create and are subsequently shown to a user on the search engine results page, have to take the user to a web page when clicked.

Thus a holistic discussion about paid search must necessarily include a discussion about landing pages. A landing page can be an existing page on your website or a newly created page for a specific paid search campaign. Campaigns that convert will make sure the users land on a page that is relevant to their search, with a very visible call to action.

The aim is to keep the user as focused on the goal, conversion, as possible. The example above highlights a paid search ad promoted by MailChimp for the keyword search marketing automation software for small businesses. The image below the ad is a screen capture of the landing page. What's shown is just above the fold.

There's actually more content if the user scrolls down. The key takeaway here is that MailChimp ensured the user lands on the specific page that is relevant to their search. Not just the MailChimp homepage. Landing pages also indicate relevance to the search engine, which I'll discuss later in the lesson titled ad ring factors.

Landing pages affect the quality score of the ad and can, in turn, also affect the cost per click of the keyword. Adding keyword rich pages to the website can also have SEO benefits. PPC campaigns often have thousands of keywords, which can mean that you will have a lot of landing pages to build.

Creating dynamic landing pages means that with a simple script unique keyword reach landing pages can be created for every search. The script will take the key word that the searcher has used and insert it in predefined places on the landing page. The user will then be landing on a page that is highly relevant to their search.

This concludes the lesson on paid search ad components and landing page significance. In the next lesson I'll address ad rank factors so we better understand how to increase visibility of our ads.

## Lesson 3.3: Ad Rank Factors

>> Welcome to this lesson focused on the various ad rank factors that determine visibility and placement of our ads. Within this lesson I'll share insights related to consumer CTR behavior based upon ad position. Talk about the bidding model associated with paid ads. Provide clarity regarding the various qualities, score components this search engine evaluates.

And sum up the section with the model used to determine ad rank. This is from a study performed in 2017, based on analysis of close to 2 million Google ad clicks. The click through rate for ads in position one averages 20.5%, where those in position four have dropped all the way to just below 9%.

Thus what is being reinforced, is the simple fact that typically the higher the ad position, the higher the higher average click through rate. Search advertising pricing is typically run as a vickery auction model, such that advertisers place bids to appear based on certain criteria. The advertising platform determines when ads are eligible to appear, and serves them accordingly.

The advertiser then pays the advertising platform when their ad is clicked. As you see in this example, we have three advertisers indicated as A1, A2 and A3. Each advertiser has set their maximum bid as noted in the second row, $2.50 for A1, $3.00 for A2, and $2.35 for A3.

To clarify these maximum bid prices are set by the marketer, and it's up to their discretion what the bid price should be, as well as how often to change it. So if we begin by looking at A3 which has the lowest bid price, we see the cost per click is $2.06.

You may be wondering why this is the price, and not something like $0.01, or their max bid price of $2.35. Well the search engines set a minimum price for each keyword and keyword phrase, based upon historical bid prices and demand. In this example, the minimum bid price is $2.05, and they have incremented the actual price up by $0.01 to a total of $2.06 based upon A3's willingness to pay a price above the minimum bid amount.

From there, A1 is charged $2.36, which is also a $0.01 increment up from A3's max bid price of $2.35. Similarly, A2 is charged $2.51, and $0.01 increase from A1's max bid price. As we'll see shortly, the position of an ad is determined by factors beyond merely the bid price.

But this example highlights how the pricing model works independently from other factors. Within paid search, Google gets paid when users click the ads. If the ads are not relevant, and not appealing to consumers, they will not be clicked. Therefore a critical factor when positioning an ad by Google, is relevance.

Which can be though of as the likelihood the ad will be clicked by a user. In the Google AdWords system, quality score is considered in addition to the maximum CPC price, specified by the advertiser to determine the listing order of the paid advertisements. Again, relevance is critical. Consumers will not continue to utilize Google search platform, and if it is not accurate and relevant.

So these aspects are associated with what's known as the quality score are imperative. The first component associated with quality score relates to keyword alignment. Here the search engine is doing a comparison to determine whether or not the search term specified by the marketer in their paid search keyword list, align with what the user has entered in their search query.

The more directly aligned they are, the better the score. For example, a marketer specializing in the sale of coffee from Jamaica might select coffee related keywords, such as dark roast coffee, Jamaican coffee beans, or where to buy ground coffee from Jamaica. They may not, however, specify keywords using other coffee producing regions.

Rather they may select the broad match type for the keyword, coffee beans. Thus, if a user were to search for Guatemalan coffee beans, their ads still might be triggered to show. But since the marketer didn't specify Guatemalan coffee beans, the keyword alignment is not as strong as it could be.

The next component in computing quality score relates to the ad copy being used by the marketer in the paid search ad. Much like the comparison associated with the keywords, the search engine is performing an analysis of what the user entered as their search criteria, against the words used by the marketer in the ad that will be served for the search.

Just like the previous coffee example, the better aligned the words in the search are with the words used in the ad copy, the higher the quality score. It's worth thinking about this from a practical perspective for a moment. If a marketer's targeting just a handful of keywords using exact match criteria, it's relatively easy to create a super well optimize ad, that aligns with the specified search terms.

However, as the keyword list expands and or the match type criteria expands from exact match to phrase match or broad match, it introduces far more complexity. Thus it becomes common for a digital marketer, to use a single ad for many keyword searches. Although not theoretically optimal to do so, there are practical limitations.

The landing page for an ad is another important factor that the search engine evaluates when determining quality score. Just like with the keyword and ad copy alignment, the search engine is assessing the relevance of the landing page to the search term. In principle, the landing page should include the same or at least similar keywords as those used in the user's search query.

We will talk more about page optimization in the SEO module, but it's important to note here that it applies to paid search, and has a direct impact on improving quality score, and lowering cost per click. The last component in determining quality score relates to the click through rate of the ad, which is based upon historical performance.

Therefore, the higher the CTR over time, the better. Although the search engine algorithms are proprietary, practitioners have attempted to figure out the waiting applied to the various components associated with quality score. This assessment by Adalysis has discern that equal weight 39% in their estimation, is given to landing page alignment, and historical click through rate of the ad.

Ad relevance, which is associated with a keyword in ad copy alignment, is an estimated 22% of quality score. Ultimately, how Google determines where to rank an ad is based upon a calculation that factors in the computed quality score, and the CPC maximum bid. Therefore an organization that attains a higher quality score relative to their competitors, can realize a lower CPC, and still rank higher than the competition.

Thus there's tremendous incentive to optimize the quality score components associated with paid search campaigns. As an alternative, the organization can increase their maximum bid to obtain higher rankings when it makes sense to do so. This concludes the lesson on ad rank factors. In the next lesson I'll discuss steps associated with search campaign planning.

## Lesson 3.4: Search Campaign Planning

>> Now that we understand the core components associated with creating a search ad, as well as the high level significance of creating a landing page for our ads, let's discuss the planning that goes into activating a search campaign. In this lesson I'll discuss the various aspects associated with conducting keyword research and selecting keywords for our paid search campaigns.

When planning a paid search campaign we can begin the process by brainstorming keywords and keyword phrases that are both relevant to the products and services our organization provides. Aligned with our business goals and also aligned with the customer's buyer journey. In addition to considering the relevance of terms we wanna advertise against, we also wanna access aspects such as search volume, the cost of the ads, and understand the competitive nature of what we are exploring.

I'll dive into each of these areas in the next few slides. Naturally we want to select keywords where our ads will be of relevance to the consumer performing the search. As we brainstorm and investigate keywords for consideration, we can think about them in the categories of branded terms, generic terms, related terms, and competitor terms.

Let's presume we are on the Under Armour paid search team. Branded terms will include our brand name, Under Armour, and additional keywords that are likely to be searched such as Under Armour products, Under Armour shoes, and Under Armor clothing. We also wanna think about more generic terms that relate to the products we provide such as performance apparel, running shoes and gym socks.

In addition to thinking about searches directly associated with the products we provide, we should also consider terms that are related to us. In this case it might be keywords such as marathon training, tennis courts, and league sports. Finally, we also want to contemplate competitor terms where our goal is to remind the consumer that we are a potential alternative.

Examples in this category include Brooks running shoes, Adidas clothing, and Puma socks. I imagine you have thoughts and questions running through your mind about the efficacy of these keyword examples and or the categories of consideration. There is an element of subjectivity and intuition, hopefully grounded in experience, when contemplating the keywords you want to target.

At the end of the day, success will be a function of whether or not your ads are being clicked, and most importantly, converting. Therefore, there will be some trial and error to determine what makes sense and the best prioritization of our keyword targeting. In addition to the relevance of our keywords, we also wanna contemplate search volume to ensure we are spending energy on terms that will achieve our reach goals.

Fortunately, there are tools available that help us assess search volume. Google has a tool within their AdWords platform called Keyword Planner. But there are other tools, both paid and free, that you can use to gather insights. We want to have an idea of how often people are searching against our keywords so that we can structure our campaigns based upon this information.

Early on we may one to focus on terms that have the highest monthly search volume. But keep in mind, our ultimate goal is a conversion. Higher volume search terms might not necessarily have high conversion rates. Beyond search volume analysis, it's critically important we understand the cost per click for each search term we are targeting.

In a later lesson within this module I'll dive deeper into this analysis. But for now I simply want to point out that there can be a wide variance in cost for keywords. As such we need to understand these costs to help us make smart decisions about which terms we go after versus terms we avoid.

Brainstorming and selecting keywords through the lens of target audience relevance, expected search volume, and cost is a solid foundation for planning our search campaign. We must also consider the role competition plays in this planning process, unless we want to identify who our paid search competitors are, realizing they may be both direct and indirect competitors.

It's helpful to assess their ad structure and ad copy to familiarize ourselves with their messaging, positioning and offers as well as where they are targeting the audience in the buyer journey. I'll discuss ad rank factors in a later lesson within this module, but I want to point out that we also want to assess quality score components related to our competitors ads to determine how good of a job they are doing along this dimension.

One final point I want to discuss in this lesson regarding search campaign planning is the concept of the long tail in search. This illustration shows that as the length and specificity of the search phrase increases, the volume of searches tends to decrease. A recent report indicates roughly 15% of searches each day are unique.

And as search engines become more and more accurate, consumers are becoming more liberal in their search queries. But in terms of the total number of words entered into search, as well as not being too concerned about misspellings. Therefor as marketers, we have to think like the customer and do our best to determine where they are in the buyer journey and meet them accordingly.

Additionally, we must determine whether or not we can afford to pursue goals, such as realizing a higher volume of traffic at the potential risk of lower immediate conversions. Versus pursuing lower volume search terms that are more likely to convert in the near term. Aspects such as our fiscal capabilities, brand-building goals, focus on new versus existing products, and customer retention goals will help inform our decision process.

This concludes the lesson on search campaign planning. In the next lesson I'll discuss keyword targeting and match types to help you better understand various capabilities a marketer has within paid search.

## Lesson 3.5: Keyword Targeting and Match Types

>> Welcome to the lesson dedicated to keyword targeting and match type functionality within paid search. Within this lesson, I will discuss and clarify the various match type options available, as well as discuss keyword targeting capabilities that we can leverage to make our paid search ads more effective and more cost-efficient.

In the previous lesson I talked about keyword brainstorming and selection criteria. Once we've decided upon keywords and phrases we want to advertise for, we have to specify them within the search platform. Thus we have to explicitly list them and construct our campaigns around these keywords. So imagine for a moment you're on the page search team at Home Depot, which has over 1 million products listed on their website.

Also consider the many variations of potential searches that might lead a customer to a specific product. Now we're talking about millions, if not tens or even hundreds of millions of potential web search variations that are directly relevant to the products Home Depot sells. And, of course, the products they carry change over time.

It would be a daunting task to capture, insert, and manage so many search terms if we had to do so in a very exacting fashion. Fortunately, within the paid search platform, we're given several options to control the breadth of searches that will trigger our ads. In Google's AdWords platform, the most expansive option is what's called broad match, which is also the default match type for keywords.

When using broad match, our ads may be shown for searches that include synonyms and misspellings for our keywords, as well as related searches and variations of our keywords. Variations include misspellings, singular and plural forms, abbreviations and acronyms, and stemming. An example of stemming would be a user searching with the term cheapest and the search engine associating that word with its root form, being cheap.

Thus, cheapest would be synonymous with cheaper, cheap, and cheaply, thus meaning our ads could show up for any of those terms under the broad match type. The search platform determines what is relatable or a variation, which is why it's important to closely monitor ad performance when using the broad match type.

We can also leverage what is called a broad match modifier to help better control which words are being targeted in a broad match scenario. Since broad match is so wide open, we may start to see our ads showing for too many searches that are not focused enough on our offerings.

And or not reaching the right target audience, thus not producing qualified traffic. The broad search modifier gives us the capability to further refine whether our ads are shown or not. The next match type is phrase match. The primary distinction here is that our ads will be shown only when the search phrase contains our keywords in the same order as we have them listed, along with any additional words the searcher may have added.

This may be important if we realize certain combinations of keywords in a distinct order drive qualified traffic to our site. With exact match, our ads will only be shown when the user enters a search containing the exact words in the exact same order as we have them in our keyword list.

As this image depicts, exact match is the most targeted, and thus has the lowest reach potential. One final match type capability we're provided is the negative match type. This allows us to select words where our ad will not be shown. For example, if we are a company that specializes in providing dress shoes to customers, we might want to specify other shoe types, such as running shoes, gym shoes, and tennis shoes, to be negative keywords to avoid valueless impressions.

Here we can see granular detail associated with the usage of these various match types. At the end of the day, the correct match type selection and modifier usage, should be assessed through the lens of whether or not the paid search campaign is accomplishing your goals and objectives. From a practitioner's standpoint, there's a considerable amount of implementation, assessment and modification that occurs in this digital channel.

Within the search platform we also have the capability to target our ads based upon a few different criteria. One of these is the ability to select specific geographic regions where our ads will be displayed. We can also specify the language used in the search for displaying our ads.

This is referred to as geo-targeting. Imagine you have a chain of car wash facilities located around the Metro Atlanta area, and you are using paid search to reach potential customers. You can specify the specific areas and regions where searches originate that will activate your ads. In addition to geo-targeting, we can also target our ads based upon previous consumer behaviors and demographic attributes.

For example, we can have our ads show based upon whether or not a user has previously used our website, and we can target customers based upon gender, age and household income. Let me point out, this isn't always available because the search platform may not have collected this information about a specific user yet, or the consumer may be using technologies to block the capture of this data.

Finally within this lesson, I wanna point out an advanced AdWords platform feature that allows us to dynamically insert keywords in ads. In this example we see the use of dynamic keyword insertion in the headline copy. What will happen is that the platform will attempt to insert a specific keyword, presuming the user has entered a search that matches one of our keywords.

In this case, we might have keyword searches based upon common pizza ingredients or types of pizza. Examples could be pepperoni pizza, meat lover's pizza, cheese pizza and so forth. As we can see here since the user searched for cheese pizza, that is what's shown in the ad. If the user searches for something that triggers our ad, but does not align more specifically with one of our keywords, the ad would read, Papa John's Best Pizza, based upon what's been specified in the brackets.

Essentially, what the marketer's attempting to do is to provide copy that is more specifically aligned with the user's explicitly stated interests while also avoiding the labor associated with authoring numerous versions of ad copy. This concludes the lesson on keyword targeting and match types. In the next lesson, I'll discuss launching a paid search campaign.

## Lesson 3.6: Launching a Paid Search Campaign

>> So to bring this all together, let's review the steps associated with planning, launching, and controlling a paid search campaign. So within this lesson I'll provide familiarity with AdWords account structure, help you understand the steps in planning, activating, and controlling a paid search campaign. Help to understand the importance of the buyer journey in paid search and also provide familiarity with ad copy best practices.

Account structure in the process associated with launching and managing paid search campaigns is relatively similar across search platforms. That said, I'll continue to focus on Google's platform AdWords as the example. An organizations AdWords account hosts all the ads that are currently running, as well as those that are under review, paused and ended.

Within the account we can organize our search ads in groupings known as campaigns, based upon our marketing strategy. Within each campaign we can establish ad groups, which are the sets of ads which have a common characteristic or focus. For example, if you're selling wine online you may have ad groups focused around a specific wine varietal, such as Cabernet, Merlot, Chardonnay, etc.

And other groups around wine producing regions, events, or special offers. There's quite a lot of detail associated with the various methods and practices related to setting up campaigns and ad groups that's beyond the scope of this course module. But I encourage you to think about the various reasons for doing so, including the previous lesson's content related to quality score.

Let's spend a few moments talking about the high level steps associated with planning and setting up a paid search campaign. These steps serve as a general framework for doing so. First, we need to be grounded in the business goals being supported with our marketing efforts. These need to be clearly defined, agreed upon organizationally, and have a distinct purpose for short-term and longer term considerations.

Next we define specific key performance indicators and metrics for success, such that we can determine whether or not we are achieving our goals. The next step is to establish a budget that is realistic for the organization, considering investments in paid search may take weeks or even months to provide a return.

Budget can be established for a given period of time such as specifying a daily or weekly budget cap to help ensure you don't breach budget thresholds. Also, you should think about the potential for having some of your budget allocated to less predictable and experimental aspects of paid search, such as using less exact match types and or targeting a broader set of keywords.

We also want to conduct keyword research to identify search terms and phrases that align with our offerings, which we discussed in the lesson on search campaign planning. Now we're ready to create ads within each ad group. As we discussed in the paid search ad components lesson, this is where we create the heading, description and URL path while also selecting relevant ad extensions.

We also want to ensure tracking tags are in place such that we can measure the effectiveness of our ads from impression to conversion. A brief segue for a moment to think about buyer journey considerations and how it can affect our ads. Keep in mind, we often see businesses targeting customers at the end of the buyer journey in the decision phase.

But there may be opportunities to build trust and loyalty by targeting perspective customers early in their journey during the discovery and consideration phases. To do so requires us to be thoughtful about the language used in our ads while also ensuring the prospect is taken to an appropriate landing page that aligns with the earlier stage of the buyer journey.

This is where we can address key benefits, features, functionality, differentiators, and so forth, to further entice and persuade our target customers. With respect to successful ad copy best practices we can begin by thinking about utilizing targeted keywords in the title and ad copy. So consider using dynamic keyword insertion if possible when running against multiple terms and phrases.

Naturally we also want to appeal to our target audience's emotions to entice them to click the ad. Furthermore we want to incorporate some form of CTAs in there to also encourage action. So going back to the planning and setting up of a paid search campaign. Now that we've conducted our research and created the ads and have everything set up, we activate our campaigns by placing bids.

With our ads running we can begin to analyze their effectiveness and make changes to better optimize the ads. We should be thinking about different uses of language, CTAs, sales promotions, etc., that can be tested to drive more clicks. As well as monitoring whether or not the traffic from our ads are converting.

Keep in mind conversion is a function of the website experience. But the bottom line is that we need for our ads to translate to goal completion. Whether that actually be purchasing a product or moving the customer deeper into the conversion funnel through actions such as filling out a contact form or clicking our phone number for a call.

For a paid search practitioner, quite a lot of time is spent exploring new opportunities, testing paid search hypotheses, and making refinements to optimize efforts. This concludes the lesson on launching a paid search campaign. In the next and final lesson for this module, I'll talk about break even point and cost analysis associated with paid search advertising.

## Lesson 3.7: BEP and Cost Analysis

>> In this final lesson of the module I'm going to address break even point and cost analysis associated with paid search advertising. Here I wanna point out the various components associated with conducting this financial analysis, as well as step us through an example to highlight the thought processes.

To begin this section we wanna contemplate several important questions that will guide our analysis. First, to determine profitability for a paid search campaign, what metrics need to be known? We need to have insight into the cost per click and expect a conversation rate, a typical sale value associated with the conversion, and our profit margin.

As it relates to our previous question, how do we determine cost per click and our expected conversion rate? To determine CPC we can leverage the paid search platform. They provide guidance regarding expectations here, such that we know what to anticipate down to the keyword and keyword phrase level.

Now, with respect to conversion rate, we can look at our own analytics data as a guide, or if this data does not exist, we can potentially leverage third-party data. We may also have to consider various scenarios, such as using a 1%, 2% and 3% conversion rate to see how it impacts our assessment.

Additionally we want to contemplate short-term versus long-term scenarios, as this may have an impact on the extent of working capital available to us. Therefore we need to think about goals associated with our paid search campaigns. Some may be used to entice end of the buyer journey purchase, where others may be about brand building.

And we also wanna think about the potential for a lifetime value, presuming we anticipate future purchases of our offerings. Presuming our analysis indicates we can only target keywords having a very low CPC, or it's difficult to identify keywords that meet our break even point threshold. It begs the question, what keywords should we be targeting, if any at all?

In these scenarios we wanna think back to our earlier point about the long tail of search. Although search volume may be low, we wanna target keywords expected to have a high click-through rate as well as a high conversion rate. And remember, when we can achieve a high click through rate, that improves our quality score and reduces the bid price necessary to rank higher in the search results.

Take a moment to think about these questions prior to moving forward in the lesson. Average CPC is used here for example purposes, but in reality, we would want to use specific metrics to ensure profitability in each scenario, therefore for each keyword or keyword phrase. Also, this example is presuming a conversion equals a direct measurable sale, such as on an e-commerce website.

Not every visit to the site that is generated from paid search will result in a sale however. As shown, just 4.73% of visits in this example will result in a sale. Thus to compute the cost to obtain a conversion, we divide the cost per click by the conversion rate.

In this example, we will have to spend $14.17 to obtain each sale. It's critically important to remember that a sale does not equal profit. Therefore we need to consider profit margin when assessing the validity of leveraging paid search as a channel. Profit margin per sale is obtained by simply multiplying the average sale value by the profit margin.

In this example, $50 times 14.5%. From an averages perspective this company is spending $14.17 to obtain a sale. Since we obtain just $7.25 in profit from a sale, this is an unprofitable tactic. Now that we know this it behoves us to look at the cost of the keywords we are bidding on to determine whether or not there are keywords that would be profitable.

To determine whether or not paid search makes sense financially we can determine the break even point, or BEP, to guide our actions. To determine the BEP of paid search on a cost per click basis, we multiply the expected profit associated with the conversion by the conversion rate. In this example, an average profit margin is being utilized along with an average sale price.

And an average conversation rate is being used. Again, for accuracy we would wanna conduct our analysis based upon as much specific data as possible. Therefore, individual product, profit margins, conversion rates, etc. That said, to compute the BEP CPC we simply multiply the profit margin by the conversion rate.

Based upon these computations, spending $0.34 per click would generate a $0 return. Therefore spending anything less than $0.34 per click would generate a profit. But is that profit enough to meet our internal rate of return objectives? That's something that we need to think about from a business perspective.

Of course, anything in excess of $0.34 per click results in a loss. If we decide to think about customer acquisition and profitability over a longer time horizon, thus considering LTV, it may have a dramatic impact on the break even point of cost per click. Of course, the organization will need to have the means available to financially endure this scenario.

Just be aware that there are numerous considerations that should be factored into your analysis. Maybe the company's willing to take a loss on certain sales to achieve a longer-term objective. For example, reducing competition, or increasing market share. Also, these metrics do not exist in a vacuum. Our approach and tactics may shift one or more of these metrics.

In this example, I am presuming a life time value, or LTV revenue, of $110. In this scenario, our profit margin increases to $15.95. And our BEP CPC increases to $0.75. Which may have a dramatic impact on the keywords we can target. I wanna wrap up this lesson by saying, I understand this is very basic math, and it might even seem obvious that practitioners would conduct this due diligence.

I can tell you from first hand experience, I've seen this overlook numerous times. And even encountered a scenario, in one instance, where a company spent over $700,000 on paid search over a six month time period, that resulted in less than $50,000 of attributable profit. This concludes the module on paid search advertising.

In next week's section we will dive into a digital marketing case that challenges us to think strategically about putting this material into action. See you soon.