

column

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do or die – search engine marketing

Many of the 25 million businesses in the United States rely on yellow pages advertising to bring them new customers. Some companies would go out of business without this advertising vehicle. Internet search engines such as Google and Yahoo may be the yellow pages of the 21st century.

For many online businesses, search engine advertising is the single best way to reach new customers. Search engine marketing can mean the difference between life and death for your company. There are two basic categories of search engine marketing: 1) pay-per-click advertising; and 2) search engine optimization.

Pay-Per-Click Advertising

Virtually every major search engine has adopted the pay-per-click advertising model. Internet marketers experience the thrill of setting up a pay-per-click campaign and watching floods of new visitors come to their Web site.

It's easy to do. In about 15 minutes, you can set up a campaign on Google and bid on keywords that relate to your business. Visitors start rolling in. It's one of the great pleasures of modern-day advertising. Search engines give you instant results and excellent measurability. Internet users perform billions of queries each month on search engines and advertisers can insert "paid results" whenever their keywords are searched for.

Overture provides a tool on their Web site (inventory.overture.com) that shows you how many people searched for any given keyword last month. It's a treasure map for online marketers.

Sadly, most companies still don't use these services. Google currently has approximately 280,000 advertisers. The San Francisco Chronicle reported in October that Google estimates this figure will grow to more than 652,000

advertisers by 2008. That's still a very small percentage of the businesses in the U.S.

Advertisers spend billions of dollars each year to reach customers through search engines. The budgets are increasing every year because it works. If you aren't doing pay-per-click search engine marketing, you are losing customers every day to businesses that are.

Search Engine Optimization

But of even greater importance for your long term profitability, is search engine optimization.

Search engine optimization is the art of making sure your Web site comes up in the top 10 results for keywords that matter to you.

Why is this so important?

Because most people using search engines skip the "sponsored listings" (the paid ads) and click on the "natural" search results — the sites that Google or Yahoo believes are most relevant to the search that was performed.

One local company's Web site ranks in the top 10 on dozens of important keywords. This company generates millions in business each year at no incremental cost. For this company, search engine optimization is like getting a free yellow pages ad in every phone book in the country. However, most companies that I talk to get little or no natural traffic from search engines. Their Web sites just don't show up after a keyword search.

Using typical e-commerce numbers, I've created two hypothetical companies to demonstrate how search engine optimization can make or break a business.

Company A and Company B sell fabric online. Both convert 2 percent of their Web site visitors to buyers. The average order size is \$100. Both have an 80

percent gross profit margin. (OK, so I don't know the textile industry). Both need \$40,000 in gross margin to break even.

Both companies bid for traffic on dozens of fabric-related keywords, paying an average of \$1 per click. Company A has no natural search engine rankings. Company B ranks No. 1 on Google for the keyword "fabric."

How will these companies fare?

Company A pays \$1,000 each day to get 1,000 visitors from search engines. This generates 20 sales per day or \$2,000 in revenue. After cost of goods and advertising expenses, the company nets only \$600 per day, or \$18,000 per month. (Remember it needed \$40,000 per month to stay alive.) Since there is no bubble to sustain it, Company A will die without repeat orders from existing customers.

Company B would generate the same \$60,000 in revenue and a \$22,000 net loss if it relied only on pay-per-click marketing. But remember its No. 1 Google ranking on "fabric."

My research shows that in the U.S. the keyword "fabric" is searched for more than 30,000 times per day. If 10 percent of these searches generate a visit to Company B's Web site, it will bring in an extra 3,000 more visitors per day. At a 2 percent conversion rate, this results in an additional 60 orders, or a whopping \$6,000 per day in added revenue.

Company B's monthly revenue is \$240,000, enough to grow the business and hire new employees, including a break room musician to entertain the other employees — maybe we'll call him the famous Boogie-Woogie Bugle Boy of Company B.

Will one company die and another thrive because of differences in natural search engine rankings?

Yes — that's the power of search engine marketing.

Is this power working for you?

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