

THE JOURNAL REPORT: LEADERSHIP

Wisdom for the Web

Search-engine advertising is crucial these days. But marketers have to know what they're doing.

By KEVIN J. DELANEY

Businesses of all sizes have found that advertising on Web search engines provides a powerful boost to their sales. They're also discovering that it can require more of their time and savvy than traditional marketing outlets like the Yellow Pages.

Mark Williams has spent nearly all of his marketing dollars advertising on Web search engines including [Google](#) Inc. and [Yahoo](#) Inc. since starting [ShavingCream.com](#) two and a half years ago. Mr. Williams credits search ads, one of the fastest-growing forms of advertising in the U.S., with helping build his online retail business to a projected \$200,000 in revenue this year. "It has fostered super-healthy growth," says Mr. Williams, 49 years old.

But managing search ads for the Menlo Park, Calif., retailer of men's grooming products online also eats up about 30 hours of his staff's time each month. And rivals recently began driving up the price Mr. Williams has to pay each time a consumer clicks on one of his search ads, causing him to consider tapping other types of online advertisement. "It's a demanding game to play to stay on top of it," he says.

Search advertising exceeded \$5.1 billion in the U.S. last year and represented the largest category of Internet ads, according to the Interactive Advertising Bureau trade group and consulting firm PricewaterhouseCoopers. Big blue-chip companies such as [General Motors](#) Corp. continue to increase their spending on search ads, while smaller organizations such as Wentworth Military Academy and Junior College in Lexington, Mo., have also come to see search engines as a key way to reach consumers.

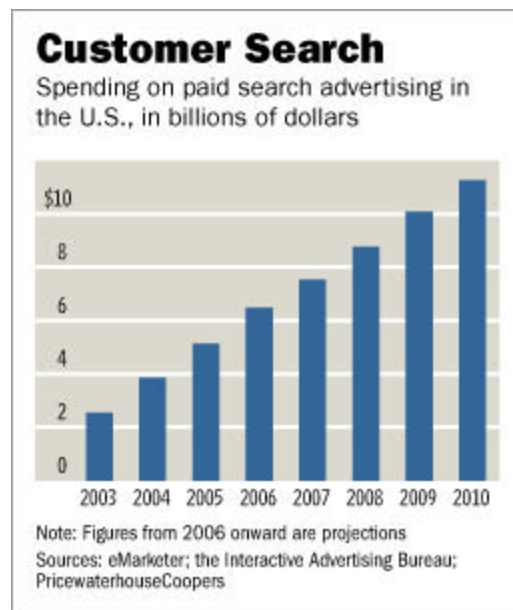
But because consumer search patterns change and competing businesses can jump in and out of the search ad market at any minute, advertisers say they have to stay on top of it to get the most for their money. Changes to the search companies' ad systems make it even more dynamic. Google and others sometimes add new variables or weight existing ones differently when determining which ads are displayed most prominently or what the advertiser pays per click. They also regularly roll out new features, such as letting advertisers restrict display of their ads to specific times of the day or only to people in specific geographic locations.

Changes Every Day

Search advertisers bid in an online auction system to have their ads displayed each time a consumer searches for a specific keyword or keyword phrase, such as "mortgage" or "Nantucket bed and breakfast." The advertisers pay only when a consumer clicks on their ads, forking over roughly 50 cents per click on average, according to analyst estimates. Related "contextual" ads are displayed when the advertisers' chosen keywords appear in articles or other content that a consumer is reading on a Web site.

The automated online systems operated by Google, Yahoo, [Microsoft](#) Corp. and others let companies start advertising almost immediately, committing to spend as little as \$5 in some cases. To simplify search advertising, particularly for small businesses, Google's AdWords Starter Edition only requires advertisers to fill out a one-page online form, for example, before their ads start running. [BellSouth](#) Corp.'s combined Yellow Pages and online-directory unit offers search-related advertising as part of a flat-rate monthly package.

Many businesses say they're very satisfied with the results they get from search ads. Wyndham Hotels & Resorts, a unit of New York-based [Cendant](#) Corp., calculates that it generates \$14 in revenue for every \$1 it spends on search advertising. Encouraged by such returns, the hotel company has increased its search ad spending by 500% since 2001. Roughly two-thirds of its online ad budget, and close to 15% of its overall marketing budget, goes to search ads pegged to keywords such as "Bahamas hotel" and "Phoenix golf."



"Search marketing is a basic foundation -- you have to have it," says Kevin Rupert, vice president of marketing and strategy at Wyndham.

All the same, competition to buy ads linked to certain keywords and other factors means that Wyndham needs to keep a close eye on the search ads. Wyndham stopped bidding on

"Disney hotel" and "Orlando resorts," for example, because other travel companies bid the per-click price high enough that it was no longer worth it for Wyndham.

Many big companies have created staff positions for search experts to handle such issues. Even online advertising specialists say search marketing demands lots of attention. "Every single day there's a new change, a new iteration," says Curt Hecht, chief digital officer at GM Planworks, a unit of Paris-based [Publicis Groupe](#) SA's Starcom MediaVest Group that handles all buying and planning for the estimated \$3.2 billion General Motors advertising account.

The agency that falls asleep at the switch on search is not the best for their client," says Mr. Hecht. General Motors bids to have its ads displayed alongside roughly 750,000 to one million keywords, including "GM," "Chevy" and "Buick."

Some entrepreneurs have built businesses almost entirely thanks to search engines, even spending only minimal dollar amounts or nothing on search ads. At the same time, they can be puzzled and frustrated by search changes that affect their firms.

Tricky Parts

James Krzeminski of Fernandina Beach, Fla., last year created one site to sell outdoor accessories such as patio heaters and a second one offering pig chef figurines for sale. Without buying any Google ads, he generated a steady stream of visitors who had found his sites through the regular search results offered by Google. By March, the two sites were bringing in revenue of \$800 to \$1,000 per day on average.

But, around that time, his sites started dropping much lower in Google search results, Mr. Krzeminski says. Fewer users found his sites, and his average daily sales on the sites fell to about \$100. Mr. Krzeminski blames one of the regular changes Google makes to how it orders its search results. "It has made it extremely difficult," says the former software developer and accountant. Google occasionally alters how it weighs different factors in determining which search results are the most relevant for any given query, which can shuffle the results and thus affect businesses that relied on being in the top links listed.

Other small businesses say they wrestle with issues such as click fraud, which occurs when someone clicks on one of their search ads with ill intent. In some cases, business rivals click on a competitor's ads repetitively to drain the company's search ad budget and gain better ad placement themselves. The search companies say they police for click fraud and either don't charge advertisers or issue refunds in cases where it slips through. But some business owners complain that it still occurs, and that it takes time and money to monitor for fraud themselves.

Experts for Hire

In the face of such complexity, advertisers often hire experts to manage their search-engine marketing. So-called search-engine optimizers try to help clients get their sites to rank higher in the normal results search engines provide by employing a variety of techniques, such as changing the structure of the sites to be more easily indexed by search

engines. Search-engine marketers help clients manage the search advertisements they buy.

Wentworth Military Academy and Junior College, for example, two years ago hired the search-marketing-and-optimization firm **MoreVisibility** of Boca Raton, Fla., and now spends about \$10,000 annually through the firm. **MoreVisibility** earns a commission and spends the rest on search advertising and other services from the search engines, such as guarantees that Wentworth's site will be listed in indexes. Retired Lt. Col. Robert Hill, vice president of enrollment management and marketing at the private school, says it's worth the money, given that "the number of inquiries coming through the Internet has steadily increased since we started doing this."

At ShavingCream.com, Mr. Williams largely taught himself how to get the most out of his search ads. Today he advertises alongside about 250 keywords through Yahoo and about 1,500 with Google. Mr. Williams regularly changes the text of his ads in response to the changing market, strategies of rivals and new products, and adjusts his bids and overall ad budgets to anticipate seasonal increases and decreases in consumer traffic.

Over roughly the past six months, aggressive competitors have driven up what he has to pay for search ads through online auctions, he says. Whereas it might have cost as little as 35 cents for each click linked to specialty men's shaving-product terms last year, today they can cost upward of a dollar. Mr. Williams is considering other types of online ads as a result, and plans this month to open a retail store in the San Francisco Bay area in the hopes of increasing sales.

Search is "a great environment to build your business, there's no question," says Mr. Williams. "But it's an ever-changing environment and it demands appropriate attention."