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Paid Search Affects Traffic

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Paying for the number one ranking may not be the best strategy for many advertisers, reports Altas DMT.

A new report from Atlas DMT, "How Search Engine Rank Impacts Traffic," begins by asking the provocative question: "What does being number one in search really mean to your business?"

Since many advertisers pay extra for the top position — or at least to be ranked close to the top — on the top search engines, the answer is not unimportant.

"Just like any other marketing channel, success for search is about balancing cost and volume. Understanding those trade-offs is the focus of this research," said Young-Bean Song, director of analytics for Atlas DMT. "For some marketers the cost of traffic associated with the top ranking may be too high. On the other hand, some marketers are forgoing the top spot, without really knowing how many customers they are losing to their competitors. Most advertisers don't know whether they are paying too much, or needlessly missing out on sales."

What is the answer?

The research found that overall, advertisers should expect about a ten times difference in potential traffic between the number one and number ten position rankings. Big difference. But it also revealed significant differences between two leading search providers, Google and Yahoo!'s Overture.

The amount of potential traffic drops more than 40% between the number one ranking on Google and the search engine's number two ranking. This statistic highlights Google's reward to advertisers willing to pay for the top position.

Impressions, CTR and Click Potential for Google AdWords, 2004

Rank*	Relative Impressions	Relative CTR	Click potential
1	100.0%	100.0%	100.0%
2	77.2%	77.4%	59.8%
3	71.3%	66.6%	47.5%
4	67.9%	57.4%	39.0%
5	65.8%	52.9%	34.8%
6	62.3%	50.2%	31.3%
7	60.6%	39.7%	24.0%
8	58.3%	34.3%	20.0%
9	58.6%	26.0%	15.3%
10	52.6%	26.3%	13.9%

Note: *Average rounded rank was used to classify the samples. Therefore, a sample taken at a given rank could include impressions at other ranks; 1st rank is benchmark
Source: Atlas DMT, July 2004

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Conversely, on Yahoo!'s Overture, the drop is more gradual, delivering advertisers increased traffic potential for rankings one through four, compared to its rival.

Impressions, CTR and Click Potential for Overture Precision Match, 2004

Rank*	Relative Impressions	Relative CTR	Click potential
1	100.0%	100.0%	100.0%
2	97.2%	80.0%	77.7%
3	94.5%	62.2%	58.8%
4	91.2%	45.9%	41.8%
5	86.2%	35.0%	30.2%
6	74.3%	32.3%	24.0%
7	67.7%	26.6%	18.0%
8	59.5%	23.6%	14.1%
9	42.9%	21.0%	9.0%
10	36.8%	21.1%	7.8%

Note: *Average rounded rank was used to classify the samples. Therefore, a sample taken at a given rank could include impressions at other ranks; 1st rank is benchmark
Source: Atlas DMT, July 2004

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Based on two criteria, relative impressions and relative CTR, the report came to the following conclusions:

- Traffic drops significantly by rank. This needs to be taken into account in weighing the profitability of keywords, and begs the question: have you aligned your search marketing strategy with your customer acquisition goals? In other words, while your sales may be costing you 10% less by maintaining 3rd rank, you could be losing nearly one-half of the customer acquisitions possible in 1st rank.
- The drop in traffic is consistent with each drop in rank, dispelling the myth that you must be in the top 3 ranks.

- While the report focused on pay-for-position search, the principles apply to paid inclusion and natural search as well. The correlation between CTR and rank should be taken into account when planning any search marketing strategies.

The report concludes with a word to all wise marketers: model your search campaigns based on cost, clicks, conversions and rank.