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Search Engine Marketing in 2009: Reality Not Matching Expectations When it Comes to Performance

[x+1] Search Engine Marketing Survey Results and Recommendations

June 18, 2009

Introduction

Given the fact that consumers are using the internet daily to research products and services they want to buy – surfing reviews, comparing price/offers and chatting with existing owners – search engine marketing (SEM) has become a standard practice in many organizations as an extremely measurable, cost-effective way to drive traffic and sales.

However, the effectiveness of an SEM campaign involves much more than selecting and buying the most relevant keywords on the major search engines and hoping for a positive result. Among other things, marketers need to determine how much of a role SEM will play in their overall digital marketing mix, what level of response will equal success, and what technology to use to reach their target audience.

This report presents findings from a March 2009 online survey of senior-level SEM professionals commissioned by [x+1], the leader in predictive marketing solutions. Based on these findings, it recommends steps companies can take to optimize their SEM operations.

Respondents to the survey spoke loud and clear: While the companies they represent are committed to SEM as a valuable tool for driving online conversions, they are generally unsatisfied with the level of SEM performance within their companies. For instance, when asked to rate the expected performance of SEM in 2009 on a scale of 1-7, 7 being the highest, only 20% of respondents gave it a 6 or 7; 57% ranked it as a 1 or 2 (table 1).
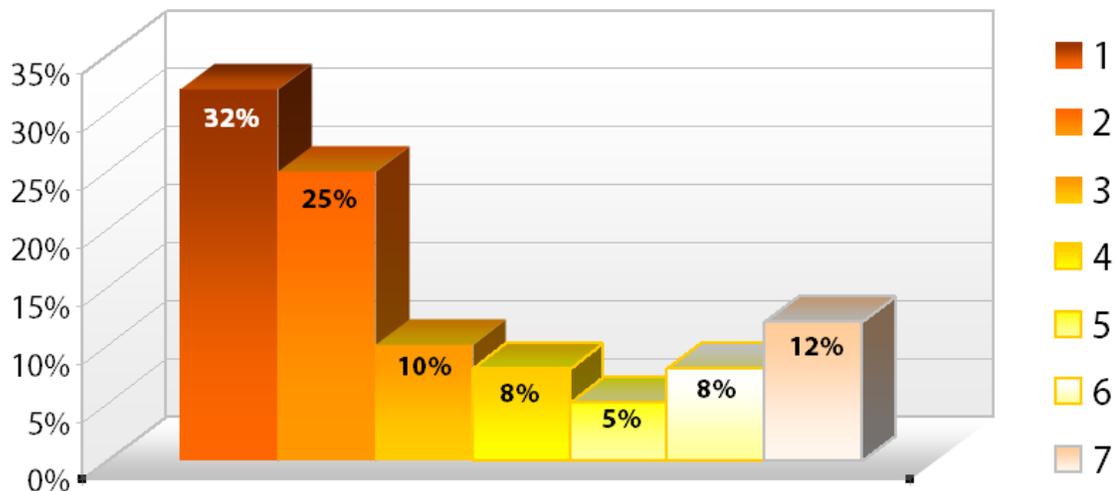
Table 1: Expected Performance of SEM in 2009 (ranking 1-7, 7 being highest)

Key Survey Findings

1) Funding Commitment to SEM

The majority of respondents (70.1%) said that 30% or less of their digital marketing spend went to search; another 21.5% reported the allocation was between 30% and 50%.

2) Spending in 2009 vs. 2008

Nearly two-thirds – 65.4% - said they would spend the same or more on SEM in 2009 than in 2008, with 13.1% looking to increase spending by more than 20% (table 2).

3) Impact of the Economy

Almost half of respondents (48.6%) said the economy has had no impact on their SEM budget.

4) Purpose of SEM

Most respondents (59.8%) said they are using SEM to drive leads more effectively; another 16.8% said they were using it to reduce the overall marketing budget.

5) SEM Capability

Nearly half (47.7%) said they had an in-house team of dedicated SEM experts; 39.9% said they use an outside consultant or agency.
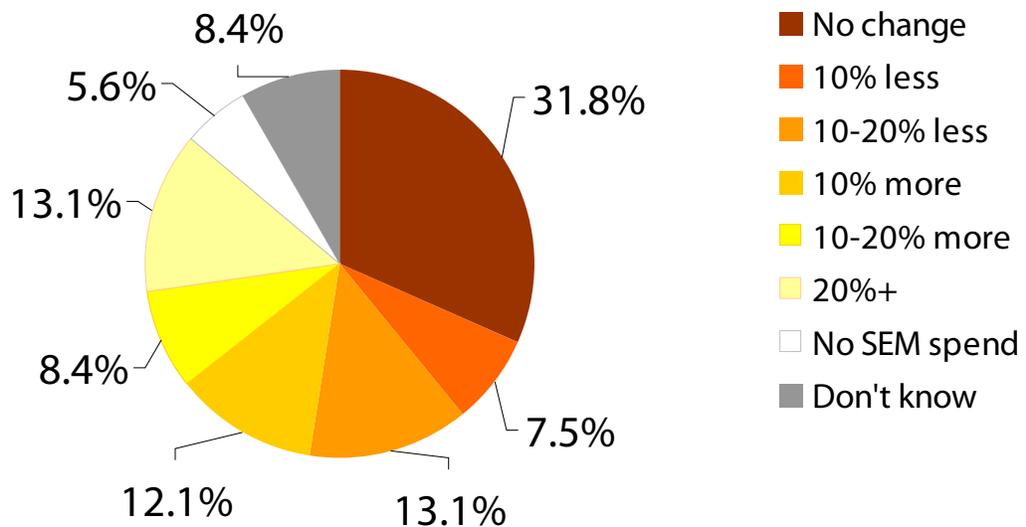

Table 2: SEM Spending, 2008-2009

Facts about Participating Companies and Individual Survey Participants

Industry Sector:

The largest percentage – 31.8% - said they were in the advertising or marketing industry; this was followed by financial services (11.2%) and computers/technology (9.3%). Healthcare, manufacturing and media represented 3.7% each.

Size of Company:

Two thirds (67.2%) said their companies had gross annual revenue of $100 million or less; 15.9% said $1 billion or more.

Budget:

A little over half (53.3%) said their 2008 marketing/advertising budget was $5 million or less; only 7.5% said it was $100 million or more.

Level within the organization:

51.4% of respondents said they have decision-making authority on spending and allocation of search; 35.6% said they were at the director or VP level or above in marketing or advertising (table 3). Another 11% each said they were either manager of search or manager of digital/interactive.

SEM Championship:

More than half (55.2%) said the SEM champion in their firm was a director of marketing or above; 13.1% said it was the CEO; 5.6% said CMO; 15.9% said SVP/VP of marketing.
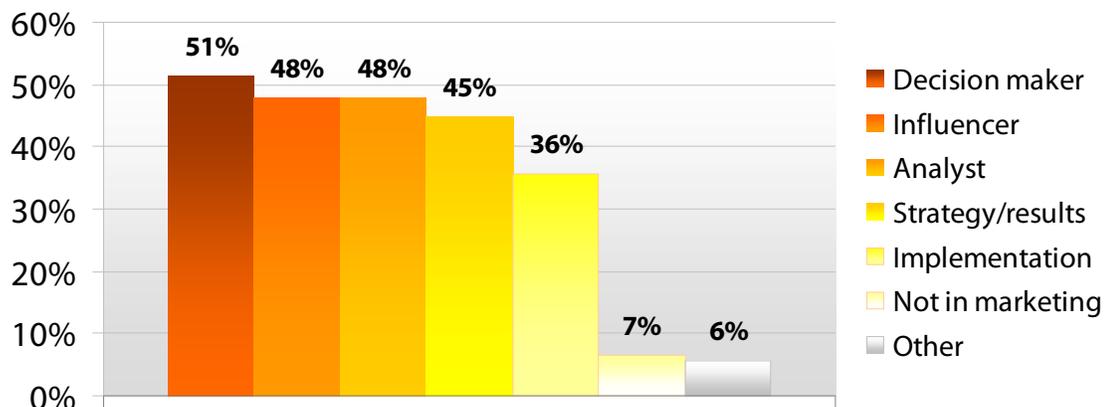

Table 3: Level of SEM Responsibility

Performance of SEM within the Organization

Two key requirements that drive the performance of SEM within a marketing organization are the ability to optimize the greatest number of keywords on a website or landing page, and the ability to create personalized pages dynamically, based on consumer information gathered from online data.

The greater the number of keywords optimized, the greater the ability to attract members of your target audience to your site. And if visitors are drawn to a page that has been tailor-made to their interests, tastes, income level, purchase history, etc., they are that much more likely to convert.
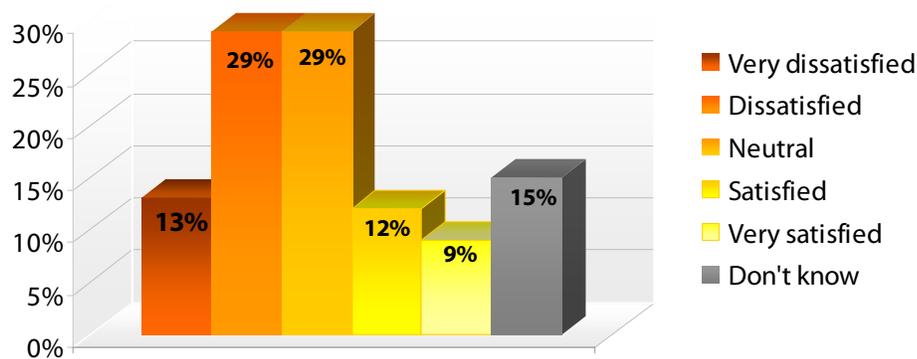

Table 4: Level of satisfaction with ability to optimize for 30-100 keywords and redirect to dynamic custom pages

Probably the most common and effective metric for determining success or failure of an SEM campaign is the percentage "lift" or increase in conversions to offers, registrations, or other calls to action, measured before and after the use of SEM.

Using these criteria as the basis for determining the potential for success of an SEM operation, respondents to the [x+1] survey found both areas lacking in their organizations.

➢ Less than one-quarter (21%) were satisfied or very satisfied with their company's ability to optimize sites for 30-100 keywords and redirect searchers to dynamically created landing pages; 42% were dissatisfied or very dissatisfied (table 4).

➢ Only 14% were satisfied or very satisfied with this capability at the 500+ keyword level. Nearly half (48%) were very dissatisfied or dissatisfied with it.

➢ A higher percentage (40%) were satisfied or very satisfied with their ability to optimize for 30 or fewer keywords and redirect to a pre-built landing page, an easier but less effective method.

➢ Thirty-five percent of respondents said they saw lift conversions of 5%-20% through the use of SEM; another 15.9% said they had not noticed a big difference in conversion rates; only 10.3% said they consistently saw lift rates above 20%.

➢ Just over one quarter (26%) were satisfied or very satisfied with their ability to easily test and maintain landing page quality in response to keyword searches.

➢ Only 23% were satisfied or very satisfied with their ability to continuously improve the performance of their landing pages in response to keyword searches.

➢ On a scale of 1-7, seven being the highest/best, only 10% said they would rate their search performance as a 7 in 2009, while 56% said 1, 2 or 3; on average, respondents rated it a 3.

Clearly, while digital marketing professionals and decision-makers find value and look for performance gains in online marketing and advertising through the use of SEM, the reality is not matching expectation levels. The key, then, is to find ways to boost SEM performance levels and increase efficiencies without a major amount of agency or IT investment.

Recommendations for Improving SEM Performance

With today's advanced SEM technologies and platforms, marketers can segment audiences as finely as need be based on a range of publically available demographic and IP data, while optimizing websites and landing pages using traffic-generating keywords. Both these tactics can greatly increase their chances of success in terms of meeting or exceeding performance goals (conversions, memberships, opt-ins, etc.).

However, when you go to all the trouble of attracting online visitors, having them land on a "one size fits all" static page will not provide the type of stickiness or attractiveness you want in order to lead to the desired action.

Some SEM marketers try the approach of developing multiple static landing pages, pre-built for specific types of visitors. However, this complicated system can lead to several drawbacks, including reporting inconsistencies, duplications, maintenance challenges and troubleshooting issues, as illustrated here:
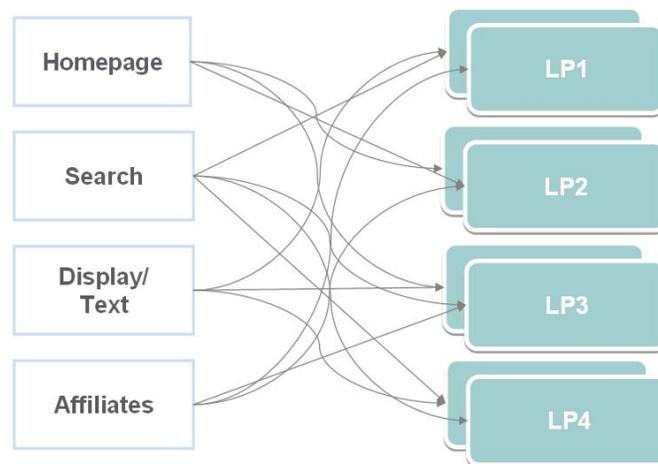
Dynamic landing pages – which are assembled in real time based on online visitor data – are much more effective than static pages in terms of driving results because users who click through find content, images, messages and offers that are customized and highly relevant to them. This simplified yet highly effective approach utilizes a single landing page template, which is then populated with the various components – headers, headlines, copy, action buttons and images – and served up to the visitor.

Not only do dynamic pages improve lift rates, but they also enable more consistent reporting (unified data flow), fewer maintenance issues and lower development costs (no building and updating of individual pages), as illustrated here:
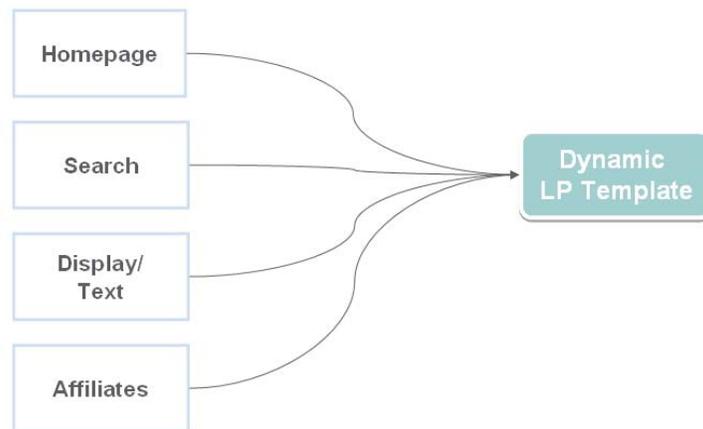
Beyond using dynamic landing pages, an ideal SEM system will give marketers the capability of optimizing for not dozens but hundreds of keywords. In a world where consumers are being highly selective and savvy, you greatly increase the possibility of driving traffic to your website and landing pages when they are as optimized as possible.

Other attributes to look for in an ideal landing page optimization solution:

➢ Hosted page content and templates, to maximize ease of use and reduce IT involvement and expense

➢ Rules-based ad targeting, utilizing dozens of audience attributes which allow you to develop customized rules tailored to your business situation

➢ An integrated system for outbound media (display ads) and inbound search (web pages), allowing for common data, reporting and analytics

➢ A shared creative assets library, which makes it easier to manage them across display and search modes

About [x+1]

[x+1], the leader in predictive marketing, maximizes the return on marketing investment (ROI) of websites and digital media using its patented targeting technology. Providing the first end-to-end digital solution for advertisers and agencies, it optimizes engagement rates and lift conversion in both media and on websites. Its predictive marketing solutions enable automated, real-time decision making and personalization so the right advertisement and content is delivered to the right person at the right time. Top companies in financial services, telecommunications, online services and travel have significantly increased the performance of their digital marketing using the services of [x+1]. The company is headquartered in New York City. For more information, please visit www.xplusone.com.

For more information on how to create an SEM solution that powers high-performance marketing, contact Jason Shulman at 212-741-4222 or visit www.xplusone.com. It would be great to get your feedback on this white paper. And be sure to check us out on Twitter @xplusone.

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