

Beat the Challenges & Reap the Rewards of Investing in Yahoo! PPC

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Despite the hype, the marketers we spoke with for this article who are investing in Yahoo! Sponsored Search say that the most important factor remains true: ROI is positive. They're making more money than they spend. However, buying search ads on Yahoo! can present challenges compared to advertising on Google, the industry leader.

Below, we take a look at why marketers are using Yahoo!'s Sponsored Search, and list the top four biggest differences between Yahoo! and Google to watch out for when buying PPC ads.

Diversifying Paid Search

Yahoo! is the second most popular search network in the US. It captured 20.6% of searches here in Feb. 2009, according to comScore. That is more than twice the number of searches its nearest competitor, Microsoft, captured (8.2%). Industry leader Google captured 63.3% of searches over the same period.

A big reason why search advertisers invest more in Google than in Yahoo! is that Google has a larger inventory and, overall, the networks' costs-per-click are similar. However, the marketers we spoke with noted that every account is different. Sometimes Google's CPCs are higher, other times Yahoo!'s are, but overall, they are comparable.

Brian Watkins, Director of PPC Management, Pepper Jam, roughly estimates his clients' paid search investments as:

- o 70% in Google
- o 20% in Yahoo!
- o 10% in other engines

Samantha Bedford, VP of Client Services and Analytics, Location3 Media, estimates that her clients' accounts break down as:

- o 80% in Google
- o 15% in Yahoo!
- o 5% in MSN

Sharon Jiang, President, Owner, CableWholesale.com, a manufacturer and distributor of electronic cables, invests in both Google and Yahoo! paid search. Yahoo! delivers a higher average return-on-ad-spend, but not nearly as much volume, she says. Google accounts for about 80% of her online sales, and Yahoo! – for about 7%.

Here is how her paid search ads performed on the networks in March 2009:

- o Yahoo!
Avg. Conversion Rate: 3.42%

ROAS: 2.85

o Google

Avg. Conversion Rate: 3.39%

ROAS: 1.85

Other Benefits

Aside from positive ROI, the marketers we spoke with noted that they buy paid search ads in Yahoo! because:

- They want to diversify their search marketing efforts
- Yahoo!'s homepage is a portal, whereas Google's is strictly a search engine
- They are also buying display advertising through Yahoo!

David Pann, VP and GM, Search Advertising, Yahoo!, mentions that the combination of Yahoo!'s display advertising network, combined with its search network, is a strong benefit to advertising with his company. However, Yahoo! is several years away from offering advertisers a single system for managing campaigns on both networks, he says.

Yahoo! also has been beta testing rich ads for search that can include images and videos, and it is "if not the leader, then one of the top two or three behavioral targeting companies on the Internet," Pann says.

4 Key Differences to Watch Out For

Although marketers are investing in Yahoo! Sponsored Search, there are many differences between going with that option and buying ads in Google AdWords. Here are the top four we found.

#1. Volume

This obvious difference is the most important to marketers. There were about 207% more searches conducted in Google in Feb. 2009 than Yahoo!, according to comScore. You can sometimes find lower CPCs and higher ROAS in Yahoo!, but your overall ROI from Google can be much higher because your ads can maintain a similar efficiency for a much larger volume of clicks.

#2. Interface and Reporting

Every marketer we spoke with noted that it is difficult to manage campaigns using Yahoo!'s interface. However, not every marketer is using that interface. Jamie Stone, VP of Advertising, Resolution Media, says that she does not find Yahoo! difficult to work with since her company uses third-party software to manage its campaigns.

Software, such as DoubleClick's DART Search and Omniture's SearchCenter, centralize

marketers' paid search campaigns for several networks into one interface. These types of software make it much easier to tweak bids or upload keyword lists on a large scale in Yahoo!. If you don't have a third-party tool to handle your Yahoo! PPC, managing large campaigns can be "extremely hard," Stone says.

Bedford's team also uses third-party software for reporting. "Yahoo! can be difficult to work with, but because we have these tools to work with, because of our doing, we're able to actually really work on it and make Yahoo! really work," she says.

Pann says that about 60% of Yahoo!'s search advertising revenue comes through its application programming interface (API), which is commonly used by third-party software. Yahoo! is working on a desktop application, currently in beta, to make it easier to manage campaigns, he says.

Reports and research

Google provides a wealth of information on keywords and click trends that you're not going to find at Yahoo! (though Google's estimates are not always accurate). One example is Google's Insights, which lets you compare search volume patterns across regions and time, complete with graphs and maps, all for free. Another example is the search query report, which lists the searches for which your ads are displayed and how they're performing.

"There is no report in Yahoo! currently that will show you the actual search queries people are typing in that you're getting matched to," Bedford says. That information is available through Yahoo!'s team, Pann says, and Yahoo! expects to have an "ad delivery report" available this quarter.

This is an important difference that can affect your performance. Without detailed, accurate information about your ads' performance, it's hard to know how and when to tweak copy, bid prices and targeting. That can drag down clickthrough and conversion rates. Again, some marketers, such as Stone, can bypass this problem by having a proprietary data warehouse and reporting system that does not rely on the networks for insights.

#3. Targeting, optimizing, and the backend

Yahoo! has recently updated and added ways to target ads to searches -- by age, gender and zip code -- Pann says. Below are a few differences in targeting and optimizing ads that have caused some marketers consternation.

Match types

Match types set the criteria that determine a search query's relevance to a keyword you've bid on. If the keyword is deemed relevant, your ad is displayed. Yahoo! and Google offer multiple match settings:

- Yahoo!: Advanced match; Standard match

- Google: Broad match; Phrase match; Exact match
(see links below for each network's definitions)

o Advanced Match

Yahoo!'s advanced match (the default) will display an ad for broad range of queries -- too broad, says Bedford. She has noticed that Yahoo! is serving her ads for irrelevant searches. For example, if she bids on "LA college," her ad might run on a query for "East LA." "Yahoo! is breaking up the keyword, which is a real pain," she says.

Another example: "For one of my education clients, the keyword we're advertising on is 'college.' And the keyword, for some reason, that we keep showing up on is 'school.' School is very different from college."

o Standard Match

Yahoo!'s standard match will show your ad for searches that exactly match the keyword you've bid on, including common misspellings and plurals. This can irk marketers who've noticed that the singular and plural forms of their keywords perform differently.

"For one client, I advertise on the term 'signs' and I advertise on the term 'sign.' 'Signs' is going to be able to generate substantially more leads for me than 'sign.' ...I'm able to track that individually [in other engines], while with Yahoo! I'm not allowed to do that," Bedford says.

Account Changes

Last year, Yahoo! started changing some Sponsored Search accounts and alerting marketers after the fact--which has drawn criticism from some industry bloggers. In January, Yahoo! responded to the criticism with a post on its Search Marketing Blog (see links below).

"The reaction we got, I think it was one of these 90-10 things. 90% of the people we told about it said 'great,' then you had a small portion of people who thought that we were going to take advantage of their accounts. That is absolutely not the case," Pann says. "The last thing we want to do is spend someone's dollars inefficiently, because, over time, that advertiser will leave the market place. And that's the last thing that we want to have happen."

o What's being changed

According to its terms of service, Yahoo! can change some marketers' accounts by creating ads, adding or removing keywords, and/or "optimizing" accounts. Marketers can opt out of this program by contacting Yahoo! through the Support Request page of their accounts.

The changes are mostly directed toward smaller advertisers who "launch and leave" their accounts without doing any optimization, Pann says.

Several marketers we spoke with were concerned that Yahoo! technicians would not fully understand their businesses and might make poor advertising decisions, especially with regards to branding guidelines. These marketers have opted-out of the program.

#4. Resources

Yahoo! has about 13,700 employees, according to Reuters, and plans to cut about 5% of them, according to Forbes.com. Yahoo! made about \$7.2 billion in revenue in 2008. Google has about 20,200 employees, according to the Associated Press, and made about \$21.8 billion in revenue in 2008. Those are very large differences that give Google the ability to better serve their customers and to regularly roll out more innovations and updates.

Customer Service

Every marketer we spoke with loves their Yahoo! account representative. The reps are said to be easy to reach, fast to act, and willing to cooperate. While most have only one Yahoo! account rep, some have a team of Google reps.

Watkins has a three-, sometimes four-person dedicated team at Google. One rep handles day-to-day problems, another focuses on high-level strategy, and a third specializes in optimization, he says.

“My reps at Google are on the phone with me all the time. Not that my Yahoo! guy doesn’t help out, because he’s really good too, but I think that the resources are much greater at Google.”

Another consistent difference we heard is that Google is seen as more “proactive” in reaching out to account holders. Bedford gets about three visits a year from Google reps to touch base and talk about her team’s campaigns. In the last six years, she’s never had a Yahoo! rep come to visit the office, she says.

Other Areas

The difference in resources manifests in many ways. Among them are the quantity and quality of tools, reporting, and training materials each network provides. Beginners will have a much easier time learning how to optimize paid search by starting with Google. Experienced marketers will have an easier time gaining insights into their market through Google’s tools.