

# SEARCH ENGINE MARKETING

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## Pros and Cons of Overture's Auto Bidding

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In February 2002, when Google introduced its AdWords Select, the main innovations about it were that the links were paid for on a cost-per-click basis (rather than CPM) and bought in open bidding using what Google calls the AdWords Discounter.

Last summer, Overture released a new bidding method that is very similar, called Auto Bidding. What this means is that marketers have a new system to deal with and they are finding it has pros and cons.

Under the old system, you simply put what you would pay for a paid link and your result was ranked accordingly. Under the new system, you put in the very most you're willing to pay, and the actual price you are charged raises and lowers depending on what the competition is.

This new system is similar to the way bidding works on eBay. When you bid on eBay--for a vintage fountain pen or antique catalog or what have you -- you put in the most you're willing to pay. The actual bid is the most necessary to be the leader in the auction. If someone bids higher than your revealed bid, your bid is adjusted to maintain your winning position. Ebay will continue doing that until someone bids higher than the highest bid you've put in. (Ebay calls this proxy bidding.)

Under the old, fixed bidding method (which Overture still offers), if you bid 21 cents for "window blinds" and Company B bid 22 cents, your sponsored link would appear after Company B's. Under the new method, if you say you're willing to pay a maximum of 27 cents (and Company B put in a maximum of 22 cents), your link would appear first but you would be charged 23 cents.

On the one hand, the new system obviously has advantages in that you don't have to monitor (and change) your bids as much. And since the partner sites that take ads from Overture only take the top three or five or so (which is why the competition for them is so strong), you're guaranteed inclusion if you bid high enough.

On the other hand, essentially, instead of telling Overture how little you're willing to pay for a lead, you're now telling it how *much* you're willing to pay. And figuring ROI is more complicated because the price you're paying for each click changes according to how the bidding for the word goes.

On the *other* other hand, just as the price you're paying for a click will go up if others are bidding up, it will go down if others drop out.

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