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**Up Close With Google AdWords**

By Danny Sullivan, Editor-In-Chief  
March 4, 2002

**A longer, more detailed version of this article is available to Search Engine Watch members.**

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Forget the hype about what the new cost-per-click AdWords program means for Google, in terms of competing with Overture. What's in the program for advertisers, and how does the cost per click pricing fit in with the existing cost per impression ads? Let's take a look.

The CPC-based program is officially called "AdWords Select," to distinguish it from the original CPM-based AdWords program. You can sign-up via the AdWords Select site listed below.

You can get started with a \$5 activation fee, compared to the \$50 deposit that Overture requires. However, unlike with Overture, that \$5 won't be credited toward any of your ad clicks that you are charged for.

**Minimum Bids A Moving Target**

As with Overture, you pay by the click. If your ad appears and no one clicks on it, then you pay nothing. Also as with Overture, there's a \$0.05 minimum bid amount for ads. You'll never be able to purchase an ad for less than this amount. That's where the differences end. Unlike Overture, Google may force you to pay a much higher minimum bid for terms.

Google sets higher minimum bid amounts for terms it considers to be popular. It makes sense for Google, because if there are only a few people bidding on a term, setting a higher bid amount helps ensure that the company gets the most return on a particular keyword. However, for the advertiser, it's not so great. If no one's bidding on a term, you still may

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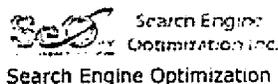
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have to pay a premium for it.

### Where O Where Do You Appear? The ClickValue Rate

At Overture, those who pay the most get the highest rankings. That's easy, simple to understand. At Google, AdWords are ranked by what I'm going to call the "ClickValue" rate, since Google doesn't have its own term for this. Why ClickValue? Because the ranking factor is a combination of both the clicks an ad receives and the value in CPC terms that it represents to Google.

If all things were equal, ads at Google would be listed in order of the cost-per-click they are paying. Those who pay the most would come first, as with Overture. However, Google multiplies an ad's CPC by its clickthrough rate, to arrive at a ClickValue rate. Thus, even if two ads have the same CPC, the ad with the higher ClickValue rate gets listed first.

Isn't the top ad naturally going to receive more clicks, because it is at the top? Yes, but Google also makes adjustments for this, so that ads get a benefit only if they draw clickthroughs beyond what would have been expected on average for a particular position.

### Death By Lack Of Clicks

So ads with good clickthroughs are rewarded at Google, and those with bad ones get penalized. Really bad ads -- those that get below 0.5 percent in clicks after appearing 1,000 times, face the ultimate penalty. They are prevented from appearing at all. Google calls it putting an ad on "pause," and it's the advertising equivalent of hockey's penalty box. But why do this, especially when removing ads reduces revenue? To protect the long-term value of the ad area, Google says.

"If there are categories of ads where the clickthrough rates are very low, it means that users are spending time looking for information and not getting what they need. As a result, they will spend less time paying attention to information provided to them through our ads. So it's very important to us that that are shown be useful to our users, because this will ensure the highest success for our advertisers in the long-term," Krane said.

Advertisers can unpause an ad, but they are strongly encouraged to work on their wording new terms for the ad, to prevent it from getting paused again.

Google also looks at how an account is doing overall, for all of its keywords. If the entire a on a whole isn't hitting the 0.5 percent clickthrough rate, then many poor performing ads in the account may be restricted, and Google will warn to make changes. Get warned three times you are out -- at least until you restart your account by paying \$5 reactivation fee.



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So it's very important to us that that are shown be useful to our users, because this will ensure the highest success for our advertisers in the long-term," Krane said.

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## Goodbye To Bid Gaps? Perhaps

At Overture, "bid gaps" can open up, where someone lowers their bid without you realizing costing you money. For example, imagine you were bidding on a term to be number one a cents per click, above the second place person at 69 cents. Things change below the second person, allowing them to drop down to 60 cents. Now you are paying 9 cents more than you to, until you close the "gap."

Bid gaps are such a problem at Overture that special tools have emerged over the past year help advertisers eliminate them. In turn, those tools have burdened Overture so much that recently established a program so that only those agreeing to make bid changes no more than 10 times per day could qualify to be "authorized" (though advertisers themselves can make more changes as often as they like). In the future, unauthorized tools may be blocked by Overture.

The Google AdWords "Discounter" tool is touted as a solution to this problem. It automatically watches to ensure that you never pay more than 1 cent more than the ad below yours. However, the tool works in the way I understand it, bid gaps may still happen because ads are sorted by ClickValue rate, not by CPC.

I didn't have a chance to go through my questions over the discounter tool in more depth with Google before I had to file this article, so I'll revisit this particular aspect of AdWords in the future and confirm if the discounter is indeed a great improvement (and one that Overture offers) or whether it turns out that the discounter isn't as good as it sounds. One thing that is difficult to tell is that Google, unlike Overture, doesn't show the CPC that ads are paying.

## Budgeting

After you've selected a set of terms, the Traffic Estimator tool will try to estimate how much you will pay on a daily basis. However, you can also set a maximum daily budget. This will prevent you from spending more money than you want in a particular day. If you hit your limit, like a limit with someone who's had too much, Google will cut you off. The next day, your ads will run again.

## Ad Content Guidelines

As with Overture, it's not anything goes in terms of ad content. Google has terms and conditions that must be followed, and a link to the page that outlines them is below.

Unlike Overture, Google also lets ads go live instantly, then reviews them later in the day to ensure they are indeed relevant. In contrast, Overture takes 3 to 5 days to do a review. Google can review ads quickly by having an efficient system.

Of course, allowing ads to go live immediately means that an ad like the one below could get through:

**\*MSN ROCKS, AOL SUCKS\***  
**CLICK HERE to get 1 month free with MSN Internet Access instead!**

This ad ran shortly after the CPC program went live to the public. It was apparently placed by a MSN affiliate and was quickly spotted by the eager eyes posting at Webmaster World, who was coming up for a search on AOL. The ad no longer appears.

## Targeting Ads By Country Or Language

Google has a strong audience from all over the world and operates a number of country-specific web sites. This means it can offer the ability to target users in particular countries, or those who are searching in particular languages. When creating a campaign, you'll be given an option to target your ads in these ways, if you desire.

Google determines country location based on someone's IP address. As for language, Google can set their preferred language, and for those who do, they get language-targeted ads.

### **What About Old AdWords**

Like paying CPM rates for your AdWords listings? You can still do it. However, your ads will be below ads from the new AdWords Select program. In addition, if there are eight AdWords Select ads, then the CPM-based AdWords Classic ads won't appear at all.

You can have both an old and new AdWords account if you want, but if you do, you could have the same ad run twice. The FAQ page below explains how to prevent this.

### **Other Things**

Like Overture, Google has a new search term research tool to help CPC customers target terms. When you click "suggestions," AdWords provides a list of phrases that will display ads for the keyword you've selected. Use this information to help you identify specific phrases that best describe your product or service and to eliminate unrelated terms.

By default, your ad will run on some sites beyond Google, currently Earthlink in the US and Sympatico Lycos in Canada. If you don't want this "syndication" distribution, you'll need to opt out from it. The FAQ page below explains how.

### **In Conclusion: AdWords Select Is Confusing**

One goal Google had in rolling out AdWords Select was to make things easier for advertisers. Advertisers wanted CPC pricing, so they could compare their costs to other paid listing programs such as Overture's. Google delivered on CPC pricing, but its implementation leaves a lot to be desired.

Overture is easy -- you pay by the click, the minimum is always the same, and those who bid most come first. In contrast, Google makes it hard to predict where you'll appear and how much you are paying.

The motivation behind Google's ClickValue ranking method is noble. Google is trying to create the most "relevant" ads for a particular term. The thought is that those who write the best ads are rewarded with clicks and thus do better in the system. Money doesn't rule. Of course, Google is also looking out for itself, to ensure that users consider both the ad listings along with edit listings, in choosing what to click on.

Personally, I think Google should drop the ClickValue idea. These are ads. As long as they are not misleading (and that *should* be policed), what's wrong with letting the person who pays to come first? That's essentially what happens with Yellow Pages listings, where the people who bid the most get the biggest ads. In fact, it's hard to think of an advertising medium where money doesn't rule, when it comes to positioning.

In a somewhat similar situation, Overture recently changed its style rules so that exclamation points could no longer be used in ads. Why not?, I asked. The answer was that, in part, Overture thought that having some ads using exclamation marks didn't put all the ads on a "level playing field."

Level playing field? These are ads! These are ads at Overture, though it sometimes doesn't call them that, and these are ads at Google. There is no level playing field. There is nothing about them. People are only showing up in these listings because they are spending money.

Having a minimum clickthrough requirement makes sense, given that ads with no or extremely low clickthrough don't earn Google money. But that's enough.

The last paid listings programs that had complications like those in Google AdWords were the Direct Hit and MSN Search, back in 2000. They died in part because they were so hard to figure out. I think Google's program is unlikely to die from its complications, but it would probably have died more without them.

**AdWords Select**

<https://adwords.google.com/select>

**Google Adwords: FAQ**

<https://adwords.google.com/select/main?cmd=Doc&page=faq.html>

**Google AdWords Keyword Suggestions**

<https://adwords.google.com/select/main?cmd=KeywordSandbox>

Like Overture's tool, this shows top queries related to the terms you input, though doesn't provide guidance as to frequency.

**Paid Links At MSN Search And Direct Hit**

*The Search Engine Update April 24, 2000*

This past article, available to Search Engine Watch members, documents how different MSN Search and Direct Hit paid listings programs were to use.

**Overture**

<http://www.overture.com>

**Overture Names "Authorized" Bid Management Providers**

*The Search Engine Update, Jan. 22, 2002*

<http://searchenginewatch.com/subscribers/articles/02/01-bidtools.html>

Past article, available to Search Engine Watch members, about the Overture's authorization program for bid management tools.

**Overture-approved PPC Bid Management Tools at a Glance**

*Pay-Per-Master, Feb. 22, 2002*

<http://www.paypermaster.com/apptools.html>

Summarizes features of the Overture-approved bid management tools.

**Google's PPC Program**

*Webmaster World, Feb. 20, 2002*

<http://www.webmasterworld.com/forum3/2131.htm>

Reaction to the AdWords Select program, from frequenters of the Webmaster World forums.

**MSN using Google to Attack AOL?**

*Webmaster World, Feb. 20, 2002*

<http://www.webmasterworld.com/forum3/2138.htm>

The sighting of that anti-AOL ad on Google AdWords.

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