

Benchmarking & Baselines in SEM

Teaser: The value of external and internal benchmarking.

Body:

~~<p>Analysts and marketers love to ask benchmarking questions: “What's the average conversion rate for PPC search?” “Does Google's conversion percentage vary from Overture's?” “What about the second-tier engines?” “What's the conversion rate for my industry?” The conversion benchmarking subject?</p>~~

~~<p>My ClickZ colleague Bryan Eisenberg has been covered in ClickZ conversion benchmarking. And it came up this week at I had the conversion benchmarking question come up Search Engine Strategies on my first panel. I'm sure the issue it came up in other Q&A sessions as well. The assumption seems Marketers seem to be that marketers think they should know their competition's conversion rates of their competition, especially within their industry segment. ~~Let's evaluate the value of knowing your industry benchmarks.</p>~~~~

~~While knowing The Value of Industry Benchmarks</p>~~

~~<p>Knowing the average conversion rate within an industry or from a traffic source has some does have value. But that value is uncertain, as it would likewise be in the brick-and-mortar environment. Do you think Radio Shack, Best Buy, and Crutchfield have the same average conversion rate for customers walking into their brick-and-mortar stores? Probably not, due to the very different product mix at each store, different mixes, price points, and different kinds of customers at each store. Even within one retailer, the conversion rate for walk-in customers likely varies dramatically between stores. My point is that benchmarking.</p>~~

~~<p>Benchmarking averages have is more applicability applicable when you benchmark against yourself than when you benchmarks against others whose businesses are substantially different than from yours.</p>~~

~~<p>Add different media and marketing strategies to the inherent differences between businesses, and the external benchmarks hold even less appeal. To make it even more complicated remember that from an SEM perspective, With search engine marketing (SEM), each marketer actually controls their own conversion percentages. By managing campaigns around keywords, engines, and creative executions that deliver specific ROI, return on investment (ROI), you can easily skew conversion percentages up or down just by adjusting your the keyword mix.</p>~~

~~<p>For example, in last week's Brand Keyword Case Study, last week I~~

wrote about the Westin St. Francis hotel placed a high emphasis on hotel's brand keywords that have. Westin emphasizes brand keywords with great conversion rates but still runs a balanced campaign that includes keywords with lower conversion metrics but good ROI. If the Westin's Agency Digital Marketing Works Westin's agency wanted to increase their conversion percentage, all they it would just need to do is pull some keywords that had okay ROI but didn't convert at a high percentage. with average ROI and lower conversions. Similarly, the campaign strategy could be adapted to be more aggressive on ROI, adding in some keywords that would convert more poorly. The "Ad Management Case Studies" presented on Tuesday August 3rd at SES (and moderated by ClickZ Executive editor Rebecca Lieb) all focused on automated conversion and ROI control in one way or another.

Some SEM marketing strategies specifically extend beyond conversion rates, and even online conversion, to reflect the true customer buying process and nature of the marketer's business. For example, if marketer A is an Internet pure-play, and marketer B is a multichannel retailer in the same industry is a multi-channel retailer, the multi-channel retailer. Marketer B may have call-to-action messaging on their site regarding store pickup or a toll-free order process. Obviously, the online-only conversion percentages for search traffic will likely differ.

Product price also impacts conversion percentages, and particularly in the e-commerce area, where the items being sold products tend to be commodities identified by model number. Many consumers will react to discounts or pricing, particularly if the price is from a store they trust. Some customers are more leery of unknown stores vendors, and price alone may not influence the customer to buy.

So, the situation is clear. **Using Internal Benchmarking**

To a great extent, each marketer controls his own conversion rate, and so does your competition — so it's not a benchmark you need, it's a baseline you need. Internal. Instead, use internal benchmarking, or baselining. Beating your own baseline numbers is as satisfying as beating the competition, because in order to beat your own conversion or revenue numbers, you have to get much of that lift comes from the competition. When you run smart, efficient campaigns, you take orders away from your competition while simultaneously meeting your ROI objectives.

To set up an internal baseline, start by measuring your critical statistics. Use whatever statistics you prefer as part of your business or marketing objectives. Typically, a marketer might include conversion percentage, order volume, and an ROI metric (like Cost Per Order, Cost Per Lead or Revenue Per Dollar Spent). e.g., cost per order, cost per lead, or revenue per dollar spent). Some marketers also include a profit-related metric as part of an internal baseline process because they want to know the tradeoffs between profit (or ROI) and volume. This tradeoff between profit and volume, or ROI and volume, is an economic or accounting concept relating to

the change in one variable factor that is based on a forced change in the other factor. Such baseline testing of baselines is ~~sometimes~~ known as "elasticity testing," and "H," which I'll cover ~~it separately~~ in a future column.

Once you have your internal a baseline or benchmark, you can then begin to measure measuring your performance against yourself. - As you make changes to positions, bids, keyword mix, landing pages, product price, and ad creative, you will be able to compare results against your baseline. - Any improvements ~~in results~~ will show up in your the baseline reports. ~~Through experimentation, you will come~~ Experiment to understand how changes you make to your campaign have an impact on changes affect your overall marketing and business goals.

~~Keep in mind, however, that~~ Remember, in auction-based paid search, your results are influenced by not only ~~by~~ your actions, but also ~~by the moves made by your competition. the competition's.~~ A sudden product price war, or crazy competitor can turn ~~a~~ winning ~~combination of~~ keyword settings into a horrid mess. - Similarly, seasonality ~~has an impact on~~ affects conversion and ~~on~~ the pay-per-click (PPC) ~~marketplaces as well.~~ marketplace.

Expect to see a certain amount of volatility in your baseline caused by external factors. - Baselines help you gauge ~~your~~ success by extending beyond measurement and tracking to provide you with a window on ~~your marketing environment. the market.~~ In auction-based PPC search ~~your, the~~ latest competition may be total lunatics, but you are still you're stuck with them ~~regardless.~~ To get the most out of PPC search you need to, beat your own conversion baselines, ~~and your.~~ Your competition will suffer while you succeed.