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Foreword to the Second Edition by Perry Marshall

// If you want to win at pay-per-click today, you MUST know stuff everyone else doesn't know."

I have yet to have a single conversation with Richard Stokes that didn't reveal something fascinating.

Rich is a data geek in the best sense of the term, but he's more than that. He is fascinated, intrigued and absorbed in what it means, not just what it says.

I attribute this to the fact that Richard started out as an affiliate marketer ten years ago, buying ads on Google, selling products and living by his wits. As I recall, he quit his job when he started making north of \$50,000 per month.

Well, the list of people in the world who have actually done that is not a very big one.

Now there is also a group of people in the world who make their living by studying gargantuan amounts of data and telling you what it means. This is also not a very big list of people.

But the number of people who have done all of the above—been a bootstrapping entrepreneur, wolverine marketer, and junkie of delicious data—is absolutely tiny. Perhaps you can count them on one or two hands, and that's it.

Richard Stokes is one of those precious few.

And he is the *only* one who's writing books, freely sharing their discoveries.

And that's why I like Rich so much. It's why I had him speak at my Maui AdWords Elite Master's Summit two years in a row; see what might tumble out; it's why so many Fortune 500 companies come to him and his company, AdGooroo, when they must decide how to optimally position themselves in the Google advertising landscape.

Outside the Googleplex, there may not be anyone else who knows more than Richard about how the Google AdWords algorithm actually works.

Add to that the fact that he's founded an impressive company—AdGooroo itself is a study in successful business building—you have all the makings of a great business book. If you're spending tens of thousands of dollars on clicks, you're not gonna want to put it down.

Warning: Pay-per-click is trickier than it looks. As Richard says, just 1 percent of Google's advertisers generate 80 percent of Google's paid search revenue. It has become one of those things that can be made to appear very simple and easy but in reality demands well-honed chops, close attention to trends, and a good bit of art and intuition.

Juggling these things is a lot harder if you're not even quite sure how Google's machine works in the first place. Google won't tell you nearly as much as Richard will.

Like I said, every conversation I've ever had with Richard has been a fascinating tour of insider information. You will find the same to be true of every chapter of this book.

Wherever you are in your pay-per-click journey and your evolution as an entrepreneur or marketing professional, I wish you the very best of success. You've already done more than most people will do: You've picked up an excellent book by a world-class expert. So you deserve it.

Now sit at Richard's feet, and hear what wisdom he has to share.

—Perry Marshall
Chicago, Illinois



Preface to the Second Edition

In the early 2000s, after many stops and starts, I hit my first major-league home run on the internet with an antivirus software review website I created as a side project while working full-time at a well-known, global advertising agency.

My first weekend, I made \$29. I remember thinking at the time that if I could only make \$500 a month from the site, it would be a huge success.

What I didn't realize at the time was that I was among the first wave of early adopters taking advantage of Google AdWords to drive cheap, targeted traffic to my websites. AdWords was wildly profitable back then, and easier, as well. No matter how bad your ads were, you could make money. That \$29 turned into \$200 by the end of the week. My first month's revenues totaled over \$3,000. Small? Sure. But I'm still pretty proud of that growth curve. It was one heck of a first month. And it was entirely due to pay-per-click (PPC) advertising.

However, success cannot (and never does) go unnoticed. My competitors caught on quickly. As they increased the sophistication of their campaigns, the bar was set higher, and it became more difficult (and expensive) to generate traffic from the search engines.

Even though they were making it tough on me, however, I was able to steadily increase my websites' profits throughout this period. Why?

Because I had made it my business to study the search tactics each of my competitors was using. Every time they tried something new—whether it was a new keyword, better ad copy, or a specific bidding strategy—I tested it and applied what worked to my own campaign.

By 2005, the PC security industry had topped out, yet I continued to pull in good profits for several years while most of the competing websites quit advertising altogether.

This success wasn't due to some magic marketing bullet. It came from being just a little bit better than each of my competitors in many different areas. I guessed—correctly—that if I could discover their best tactics and apply them to my campaign, then, taken together as a whole, this would put me far ahead of the pack.

My secret for doing this was a software program I wrote that would actively hunt for my competitors' ads and tell me everything it could about them. By the end of my first year of business, this software allowed me to grow my sales sixfold, all while working less than ten hours a week.

It was when I cashed my first \$100,000 check that I realized that this technology could probably help many other companies as well. We named the software AdGooroo (pronounced “Ad Guru”) and quietly sold it by word of mouth only.

As time passed we acquired more customers. Today, AdGooroo has grown from a tiny software company to a global presence. Our software is used by more than two-thirds of the largest interactive agencies in the world, as well as thousands of other consultants, agencies, and in-house brand advertisers. Our quarterly reports on the state of the search engine industry are eagerly consumed and reported by the media.

As busy as AdGooroo keeps me, I still make time to run our PPC campaigns. I talk daily with other search marketers and attend several tradeshows every year. And perhaps most importantly, the AdGooroo database grants me insider access to the search marketing activity and rankings of virtually every advertiser in every imaginable type of business on the planet. I have the luxury of seeing what works and what doesn't.

It was from this vantage point that I wrote my first book, *Mastering Search Advertising: How the Top 3% of Search Advertisers Dominate Google AdWords*. In it, I revealed several little-known strategies that savvy search marketers were using at the time to gain an edge on the competition. I chose those strategies because each of them had the potential for big rewards and none of them required a lot of time or money to implement.

The book was more popular than I anticipated, and so with the help of Entrepreneur Press, I incorporated my reader's input and requests into a sorely needed guide to advanced paid search strategies. The book you are now holding is the second edition, which has been updated to reflect the new realities of paid search circa mid-2013.

If you attend one of the popular search engine marketing trade shows (such as SMX Advanced), you'll be lucky to learn one or two of these techniques. But this manual

contains virtually every technique used by the best-paid search managers in the industry. All of the strategies covered in my previous works are included here. However, you'll find new insights and techniques we've gained from new research and developments (including sections on mobile search marketing, product listing ads, and more recent changes to the quality score algorithm). This edition also covers more about Bing, which has been growing in popularity and now represents approximately 30 percent of all U.S. search traffic.

While to the newcomer some of these topics may seem to be tangential to the business of PPC advertising, I will explain in due course why you simply cannot compete without being at least somewhat competent in these areas.

The book you are holding in your hands represents the current state of the art in search marketing. With it, you have the tools needed to propel your business into the top 1 percent of search advertisers.

Good luck,
Rich

AUTHOR NOTE

About AdGooroo

AdGooroo, a Kantar Media company, is a leading provider of digital marketing intelligence that drives competitive advantage for internet marketers. Founded in 2004, more than 4,000 advertisers and agencies use AdGooroo's on-demand tools to tap into the world's largest database of search and gain actionable intelligence on their top competitors' keywords, ad creative, campaign statistics, budgets, and more.

LEGAL NOTES

AdGooroo is not affiliated with Google, Yahoo!, or Microsoft. Our views and opinions do not reflect those of any search engine or any entity other than our own.



99 Percent of Advertisers Are Failing at Paid Search

As a small advertiser starting out in 2003, I was drawn to Google AdWords because it allowed me to level the playing field with far larger competitors. With nothing more than a credit card and a little elbow grease, I could tap into a huge reservoir of highly motivated buyers that most other advertisers had overlooked.

This great democratization of advertising played no small part in catapulting Google to becoming a multibillion-dollar company. However, this is no longer the case.

AdGooroo conducted a study in late 2012 to determine just how evenly distributed advertising impressions were among search advertisers. We looked at a wide variety of industries and measured the advertiser concentration in each.

There's nothing inherently unfair about search engine advertising; everyone in the market has access to the same knowledge, the same training materials, the same experts, and so on. It would be reasonable to assume that advertising exposure is fairly well distributed among all participants in the marketplace.

We were shocked to learn that it just isn't so.

A FEW ADVERTISERS IN EVERY COUNTRY DOMINATE PAID SEARCH

In September 2012, we recorded 775,000 advertisers on Google in the United States. We estimate that there were approximately 844 million clicks on paid search ads. Of those clicks, 675 million were generated by just 8,332 advertisers.

In other words, less than 1.1 percent of all advertisers on Google generated over 80 percent of the clicks.

And if we look at it by total spend, we come up with a similar answer. Those 8,332 advertisers generated about 79 percent of total AdWords revenue during that same month.

We see a similar concentration of advertisers in other markets. Figure 1-1 shows the same figures for the UK and France.

Google US	United States	United Kingdom	France
Total paid search clicks	844 million	348 million	153 million
Total number of advertisers	775,000	211,000	104,000
Number of advertisers generating 80% of paid search clicks	8,663 (1.1%)	2,169 (1.0%)	1,248 (1.2%)
Percent of total paid search revenue generated by these advertisers	78.8%	79.4%	80.4%

FIGURE 1-1. Paid search concentration in three major markets.

We see similar results with other engines. On Bing US in September 2012, we estimate that 301,000 advertisers generated 209 million total clicks. Just 3,541 advertisers generated 80 percent of those clicks (and 82 percent of spend).

This presents us with an intriguing problem. Assuming two capable and equally motivated competitors, what could explain why one is successful while another is not?

But the facts paint a very different picture. The utopia of a “fair” advertising marketplace is nothing more than an illusion.

VIRTUALLY EVERY BUSINESS CATEGORY IS “OWNED” BY A FEW ADVERTISERS

What happens if we narrow our focus down to a specific business category?

Let’s start with apparel and fashion,” an extremely high-traffic and competitive category on Google AdWords. Figure 1–2 depicts the number of impressions on the x-axis, the number of clicks on the y-axis. The size of each bubble corresponds to the advertiser’s relative spend.

We see that the category is dominated by some well-known names: Victoria’s Secret, Express, 6PM, and Designer Apparel. What is not so easy to tell from the chart is the sheer number of other advertisers—1,053 in all—who are fighting each other for the remaining share of impressions and clicks.

Despite the above figures, it may be surprising to hear that as far as competing in paid search goes, the apparel and fashion industry isn’t so bad. It could be much worse.

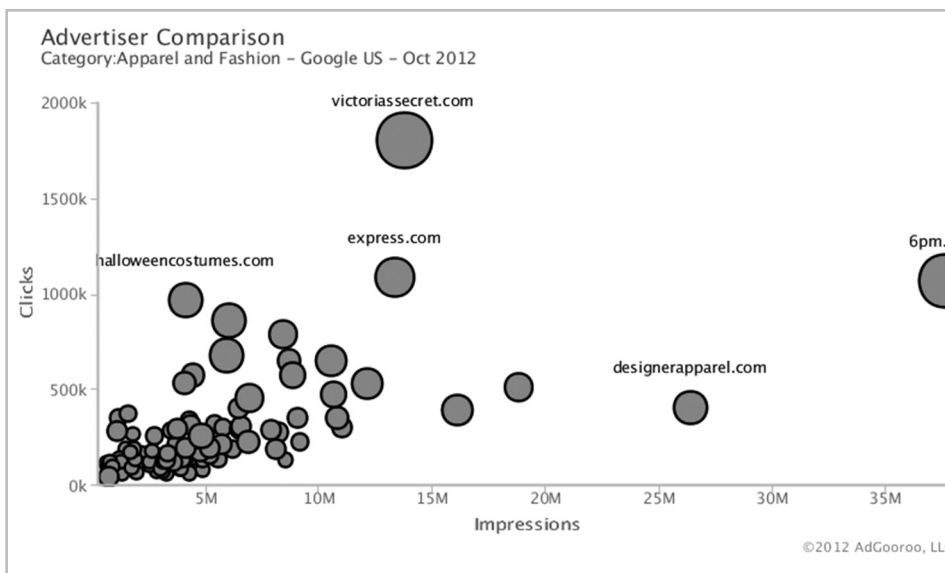


FIGURE 1–2. Apparel and fashion advertising activity, Google US, October 2012. (Source: AdGooroo Industry Insight)

Let’s take a look at the car rental industry (Figure 1–3). Enterprise.com is soundly trouncing the competition in clicks. They are running a respectable second to RentalCars.com when it comes to impressions. Nobody else even comes close:

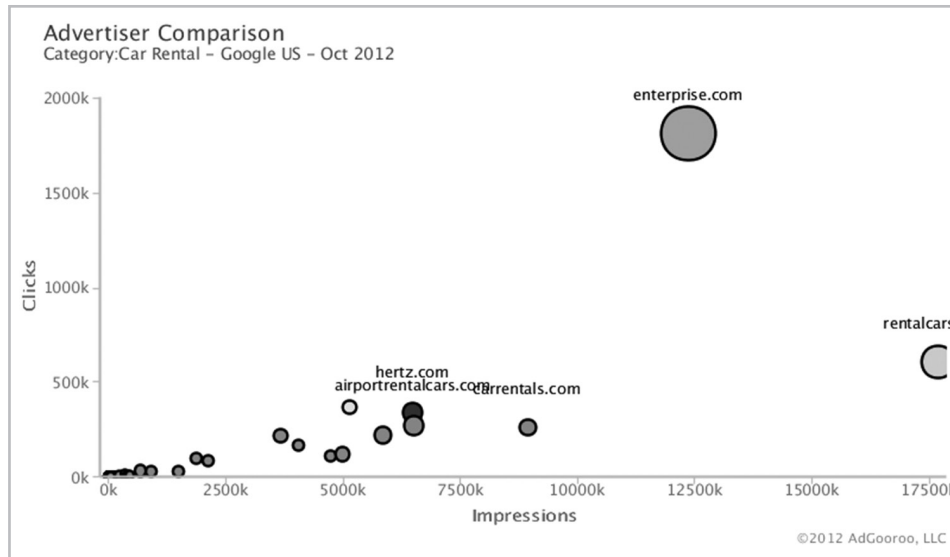


FIGURE 1-3. Car rental advertising activity, Google US, October 2012. (Source: AdGooroo Industry Insight)

Another way to compare these two industries is to compare their “share of voice,” that is, the percentage of the available impressions each advertiser is capturing. Share of voice is particularly important to brand advertisers because there is evidence that even if a search engine user doesn’t click the ad, the mere fact that they saw it predisposes them ever so slightly more toward a future purchase.

In the apparel and fashion category (Figure 1-4), we see that the 15 most dominant advertisers are capturing around 25 percent of the available impressions. This leaves approximately 75 percent of the traffic for the remaining 1,053 advertisers.

This isn’t great news if you are in the fashion industry. But look on the bright side: It could be worse. Figure 1-5 shows that the 14 most dominant car rental companies are capturing over 90 percent of the available search impressions, leaving just 10 percent for the remaining advertisers.

In my 2007 book, *Mastering Search Advertising*, I showed data that proved 97 percent of advertisers were being shut out of most of the available search traffic. Virtually every data point we look at, regardless of search engine or country, shows that this is still the reality. In fact, more recent data suggests that today’s figure is closer to 99 percent.

What this means is that if you want to succeed in paid search advertising, you need to be prepared to invest a significant amount of time and effort. Paid search is not something you can simply dabble in and expect to win. In the following chapters, you’re going to learn exactly how it’s done.

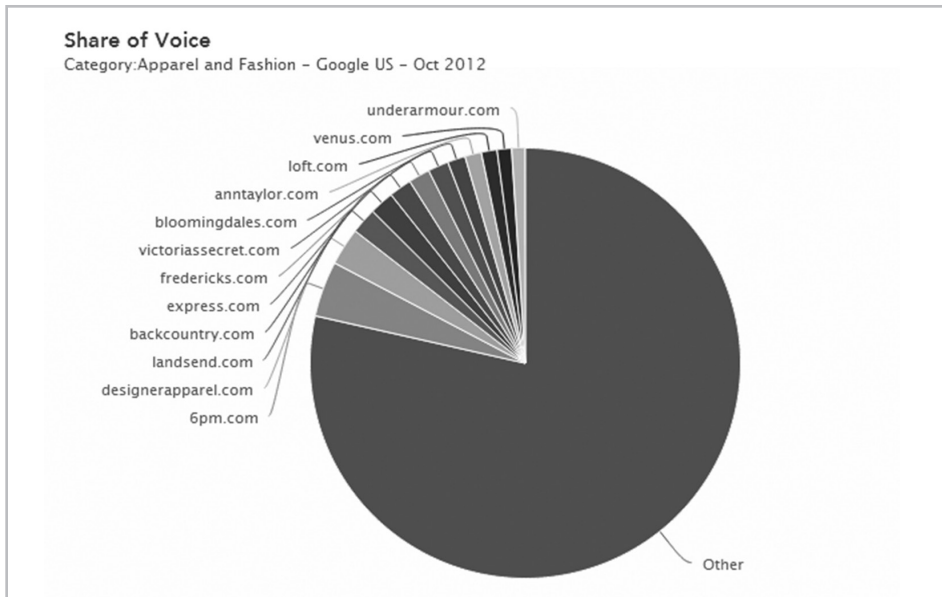


FIGURE 1-4. Share of voice in apparel and fashion, Google US, October 2012. (Source: AdGooroo Industry Insight)

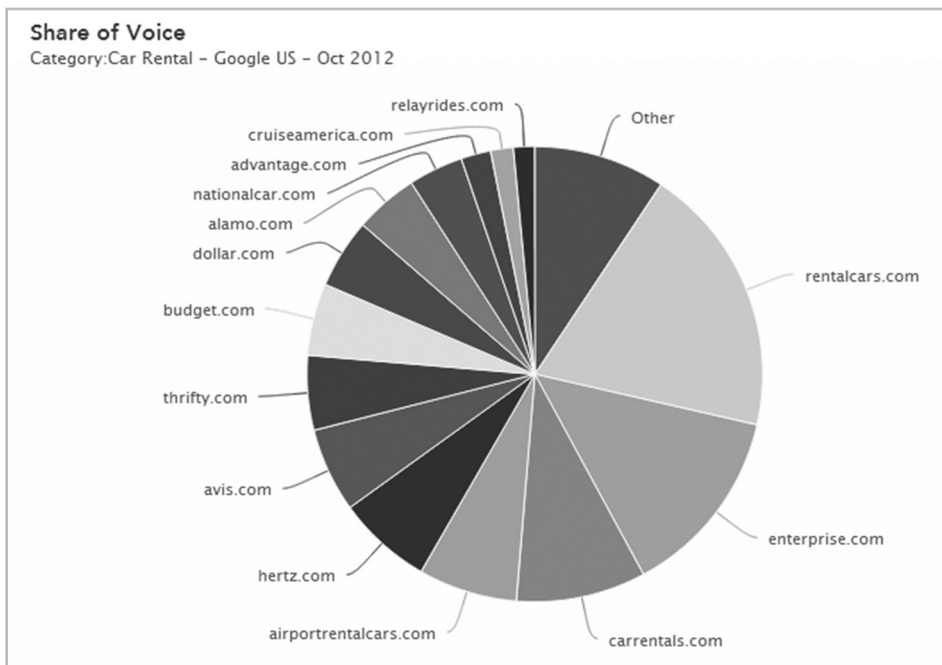


FIGURE 1-5. Share of voice in car rental, Google US, October 2012. (Source: AdGooroo Industry Insight)



The Foundation of Successful Paid Search Campaigns

Before we dive into pay-per-click, we need to have a word about the proper order in which to tackle things.

When most advertisers go about starting their pay-per-click campaign, they begin by creating an advertising account (usually on Google), randomly choosing some keywords, creating an ad or two, and picking a starting-bid price out of thin air. The clicks start coming in, but more often than not, the profits fail to follow.

These undisciplined campaigns rarely pay for themselves. This is a real shame, because although pay-per-click is a cutthroat business, it's still as easy as shooting fish in a barrel if you do it right.

The reality that these advertisers fail to take into account is that no matter what business you're in, someone has probably been there before you. Blindly rushing in with a half-baked website is a guaranteed way to ensure that your competitors will outbid (and outsell) you.

Starting a campaign without having access to analytics is marketing suicide. You need tracking to know how much you can profitably spend for each of your ads. You'll also need it to learn to which pages on your site you should be sending visitors from the search engines.

And if you have tracking installed on your website but haven't optimized your website's ability to convert visitors into buyers, you probably won't be able to compete for the best possible placement for your

ads. As a result, your ads will appear infrequently, buried deep within the search results pages. And more importantly, you'll be capturing only a small percentage of the sales you would have captured by identifying and eliminating sales bottlenecks.

Patience is vital. If you haven't spent the time on these preliminary steps, your website won't be able to keep up with the competition. Neophyte search marketers are all too quick to jump into a campaign without really knowing what they are doing. Consequently, their campaigns end up a mishmash of poorly aligned keywords, ad copy, and landing pages. Impressions are slowly choked off, and first-page bid prices rise until their ads are shut out of what could be the most profitable keywords in the campaign.

So I encourage you to take a disciplined three-step approach. Start by installing an analytics service on your website. Learn it inside and out, and then use it to optimize your landing pages. If you create a better converting offer than your competitors, it's far more likely that you will become the dominant advertiser in your industry.

I've honed this approach through years of creating pay-per-click campaigns. If you follow these steps in the order I've laid them out for you, you should be able to capture a majority of the available impressions and generate high clickthrough rates at a fraction of the price most of your competitors are paying.

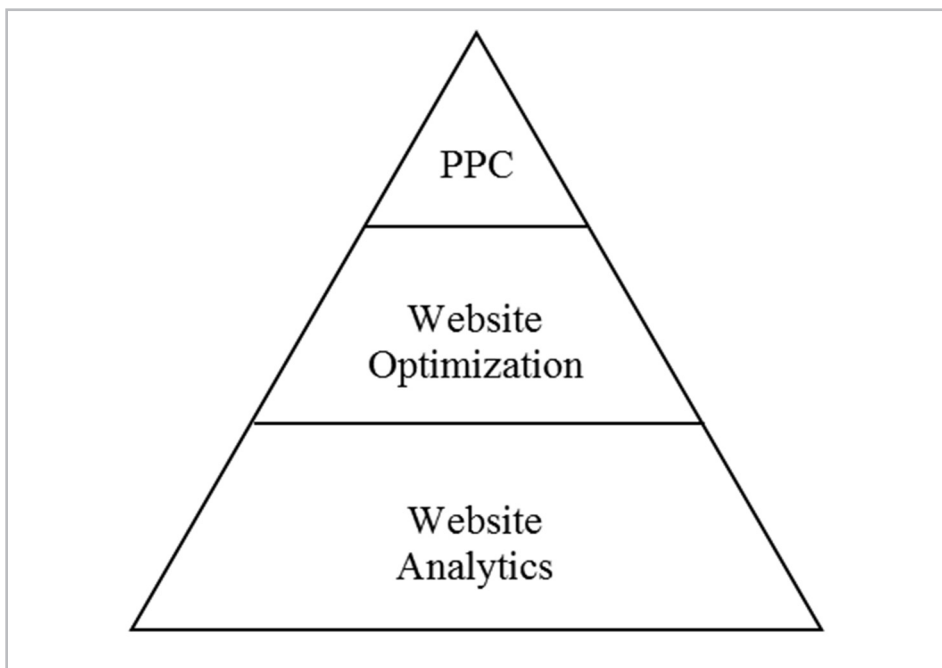


FIGURE 2-1. Effective pay-per-click advertising campaigns must be built on a solid foundation of analytics and website optimization.