

The simulation of a PPC company using instruments offered by Yahoo! Search marketing

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The Internet offers a lot of opportunities which may use to earn money. The big companies like Yahoo, Google or others try to attract more customers by developing new tools for better use of Internet. This paper try to show through a simulation, how can we use the instruments offered free by the Yahoo company for earn money starting from a simple click.

Keywords: the internet, search marketing tools, returns of investment.

There are often heard sweet/bitter stories about the spending of some important amounts of money in the system Pay-per-click/AdWords, about impressive traffic, which later it is materialized in loss of money – sometimes big amounts.

To maker a visitor click on a commercial (ad) is only a part of the equation. If these clicks do not convert in sales, it is only a loss of money and time. No matter what the chosen PPC system is (AdWords or Yahoo, MSN, etc.), the idea is to make an investment in business, to generate the profit through “buying” and the converting of the traffic in this way being accumulated. If the use of the PPC system within a business it is not finalized with a positive profit of the investment (ROI / Return of Investment)¹, then we could say that this company hasn’t reach by far its purpose, succeeding, worse, to lose money, too. The only way to know when the profit it is generated is the use of a pursuit system that cold measure the results of this investment in publicity. This system is also used to simulate the conversion power in profit of this kind of company, taking in account the subsequent data taken from the same company or from companies that operate in similar domains and implement the same methods in the online sale.

Yahoo! Search marketing TOOLS

Yahoo! Search marketing (ex Overture, ex GoTo.com, but yet known under the name of

Overture), offers free 3 efficient instruments² (and that at the same time are considered of measuring as well as of simulation) and that could be used for the anticipation of the results in a company of the PPC type – these instruments are:

- **Keyword Selector Tool** – Visualization instrument of the executed searches number on various terms of search. Although it is easier to access, form experience recommending the use of the system from <http://www.wordtracker.com> (the use of the free variant being nevertheless complicated by the necessity of the daily re-registration, a trial account being available only 2 hours). Besides a few small differences regarding the way of calculating if the effectuated researches on certain terms and of the used basis, this instrument presents the advantage that it **offers an estimation** of the searches on the respective term based on the previous evolution.

- **ROI computer** - **Computer for the determination** of the investment profit based upon cost per click (used in the PPC system)

- **CMP computer** - **Computer for the determination** of the investment profit based upon cost per thousand of impressions/visionaries for the publicity type ban-

¹ The calculation of the profit obtained from the investment / on the CPC basis (cost per click) from sponsored researches of s Yahoo!, Google type, etc.

² It is to be mentioned that 2 months ago there were 4 instruments of this type, the one which at the present doesn’t exist anymore in the list, “Bidding Tool” used as an information instrument regarding the paid/click amount of various companies for the obtained positions in the research sponsored from Yahoo!. Alternately, we will use data offered by the Google Ad-Word system, but which are not very exact.

ner.

All the instruments presented above can be used from the address:

http://searchmarketing.yahoo.com/rc/src/Yahoo! Search marketing – ROI computer

Each company of the PPC type should begin with the estimation of the profit that will be generated by the respective company. In an ideal way, this profit has to be maximized.

This estimation consists largely in the identification of the elements that have the possibility to not be realized as it was expected. It is essential to be known what terms of search and what formulations in the text of the commercial have the tendency to lower the profit. Through a continuous pursuit of these elements there could be eliminated the financial losses. But until then, till the company is started and there can be made some opinions regarding it, there have to be simulated various variants and to renounce from the beginning at the companies that will not be profitable from the start. ROI it is calculated by the

$$ROI = \frac{\text{sales} - \text{costs}}{\text{costs}} \times 100$$

formula:

Research terms (Keywords)	Clicks	Cost	Sales	ROI
Lamaze	120	75 USD	1200 USD	1500%
Lamaze class	45	20 USD	950 USD	4650%

Lamaze:

$$\frac{1200 - 75}{75} \times 100 = 1500\%$$

ROI – net profit: 1125 USD

Lamaze class:

$$\frac{950 - 20}{20} \times 100 = 4650\%$$

ROI – net profit: 930 USD

From the point of view of the net profit it seems that the term *Lamaze* is the most adequate, producing with 195 USD more profit than the term *Lamaze class*. After a detailed inspection, we could see that ROI for *Lamaze class* is more than triple than the one resulting for the term *Lamaze*.

This doesn't mean the company developed on the term *Lamaze* should be renounced at, but there only have to be tested improvement alternatives of the ad (especially in the text

For example, let's say that it is taken into calculation a company of a PPC type which will generate 1400 USD in sales from an investment of 500 USD in commercials of Yahoo! Sponsored Search type.

$$ROI = \frac{1400 - 500}{500} \times 100 = 180\%$$

In this case, the company will develop in favorable conditions and will return a profit of the investment of 180%.

Before considering a satisfactory result as being extraordinary there has to be remarked the fact that the returned profit can be satisfying, this doesn't mean it cannot be improved. To take an example of a AdWords company which wants to create direct sales for the products of the Lamaze (Lamaze – is the known method of formation, very used in USA. Lamaze class – it refers to preparatory courses for the application of this method. Besides these courses, on the market appear other products under this brand: Lamaze toys for newborns, video tapes/CD with Lamaze courses, books for the preschooler children) company: Lamaze courses, toys

part), as well as the targeting of some alternative key-words, which could be acquired at a lower price, regarding the attraction of as much visitors as possible but only from the ones with high potential for being converted into clients.

The calculation/estimation of the returned profit by a company of the PPC type is relatively easy. Nevertheless, for estimating more precisely what ad has chances to be a good investment, besides an opinion (which, often, in the case of the non-experimented ones, is not very good) connected to the quality of the text – the message inspired by ad, there are also other variables that must be taken into account.

The conversion

The conversion is the process by which a visitor entered in the site by clicking on a

commercial of the PPC type is transformed into a client of that respective site.

Independent of the objective that is pursued through the term of *client* (in general case, the realization of a sale, but there can also be pursued actions of the type of the subscription at groups/magazines, download, etc.) all follow in the end the profile.

It is important to mention that this *conversion* is not always measured in terms of direct sales. Sometimes the sale is an aggregate process of more stages in which a visitor entered in the site by clicking on a commercial of the PPC type offers information in the change of some stimulants (free samples, important reductions, different facilities at the services), and later this will be converted into a client in the proper sense.

The simulation of a PPC company using the instruments offered by Yahoo! Search marketing

The obtainment of relevant data about how a company of the PPC type will act could be difficult enough for the ones less familiarized with this system. Therefore, there must be taken into account the essential elements used in this simulation:

1. **The visitors that enter the site through the company (“Total monthly clicks”)** (in this case, the estimation instrument makes reference to Yahoo!) – this number is esti-

Traffic Estimator

[← Revise settings](#) | [Download as .csv](#)

All estimates are provided as a guideline, and are based on system-wide averages; your actual costs and ad positions may vary. To view estimates based on your keywords' performance history, use the Traffic Estimator within the appropriate ad group. [Learn more](#)

Average CPC: **\$0.24** (at a maximum CPC of \$0.37)
 Estimated clicks per day: **194 - 271** (at a daily budget of \$100.00)

Maximum CPC:	<input type="text" value="0.37"/>	Daily budget:	<input type="text" value="100"/>	<input type="button" value="Get New Estimates"/>		
Keywords ▾	Search Volume	Estimated Avg. CPC	Estimated Ad Positions	Estimated Clicks / Day	Estimated Cost / Day	
baby toys	<input type="text" value=""/>	\$0.22 - \$0.37	1 - 3	68 - 101	\$20 - \$40	
childbirth	<input type="text" value=""/>	\$0.11 - \$0.25	1 - 3	84 - 107	\$10 - \$30	
educational toys	<input type="text" value=""/>	\$0.22 - \$0.37	4 - 6	26 - 38	\$6 - \$20	
lamaze	<input type="text" value=""/>	\$0.14 - \$0.29	1 - 3	15 - 22	\$3 - \$7	
lamaze toys	<input type="text" value=""/>	\$0.18 - \$0.37	4 - 6	2	\$1	
lamazer class	<input type="text" value=""/>	Not enough data to give estimates. ?				
Search Network Total		\$0.16 - \$0.31	1 - 3	194 - 271	\$40 - \$90	
← Revise settings		<input type="button" value="Download as .csv"/>				

Traffic Estimator - Google AdWords

The conversion rate and the average profile per conversion must be known from the previous activity of the company or, best, from the previous activity in similar PPC companies. Therefore, for 30 days, taking into ac-

count the estimations obtained through the instruments from AdWords, and taking into calculation the averages between the returned values by it,

2. **The average cost estimated per click (“Estimated average CPC (USD)”)** - although Yahoo! Marketing Research has just eliminated the estimation instrument from the instruments offered for free (Bidding tool), for the clients of the PPC companies, once in the proper profile, there is the possibility to see the value that has to be paid for the obtainment of a certain position.

3. **The conversion rate (“Conversion rate :%”)**: the percentage that is calculated from the number of clients obtained from the visitors entered on the site by clicking on a commercial of the PPC type.

4. **Average profit per conversion (“Average profit per conversion”)**: the average profit generated by a sale.

The ROI calculation:

The first two values can be estimated by using dedicated instruments depending on the chosen PPC company operator (the attached image represents the estimation made with Google AdWords – Traffic Estimator)

Search terms	Average numbers of Clicks per day	Clicks per 30 days	Average cost per day/click	Total cost 30 days
baby toys	84.5	2535	0.30	747.83
childbirth	95.5	2865	0.18	515.70
educational toys	32	960	0.30	283.20
lamaze	18.5	555	0.22	119.33
lamaze toys	2	60	0.28	16.50

Search terms	Conversion rate	Profit / conversion
baby toys	5	4
childbirth	1.8	29
educational toys	4.5	5.3
lamaze	2	30
lamaze toys	7	3.9

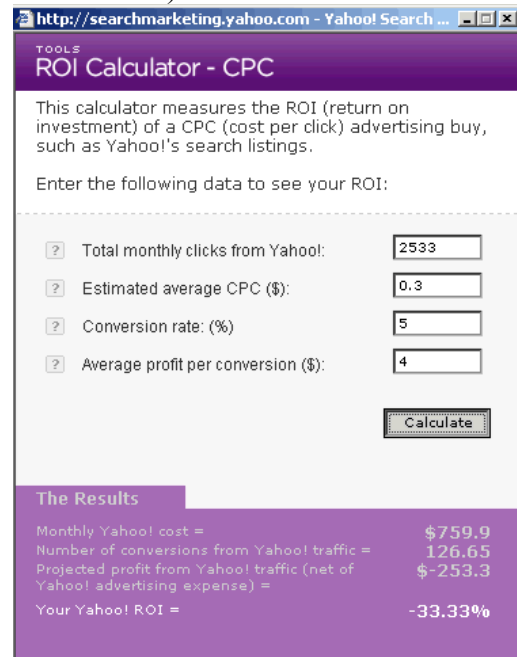
The ROI simulation for the chosen data looks like this:

Search terms	ROI	Net profit (\$)
baby toys	-33.33%	-253.50
childbirth	190.00%	979.83
educational toys	-20.5%	-59.04
lamaze	172.73%	\$210.9
lamaze toys	-2.5%	-0.42

It is observed that only the terms *childbirth* and *Lamaze* are profitable for this kind of company. To make sure that the publicity of the PPC type will also become profitable for the other tested terms, there are more variants:

- Trying to improve the conversion rate by writing much more attractive ads
- The increasing of the profit obtained by selling a product from that category, which invariable leads to the increasing of the sale price and, therefore it is also spread a decreasing of the conversion rate, the offered price not being anymore competitive on the market – therefore, this variant is not viable.
- The search for alternative terms on which the publicity will be made, term which, although individuals will generate a lower traffic, through their accumulation and through the increased conversion

power could lead to the ROI improvement (for example, instead of the following of *education toys* there should be used the imperative terms, which lead to action or higher conversion power of the type buy educational toys, best educational toys, recommended educational toys, educational toys for babies, educational toys for newborns etc.)



ROI simulation for the search term *baby toys*

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- Search Engine Marketing professional Organization: <http://www.sempo.org>