

The Adwords Companion

**5 Essential Insights Google
Don't Teach You About
Adwords**

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Introduction

8 Billion Reasons Why You Should Learn About Adwords

Every month there are approximately 8 BILLION - that's 8,000,000,000 – searches done on Google.

For more and more people, it's the first place they look for a product or service provider... and that includes many of your prospects.

And, if they don't see you on page 1 of the search results, you can probably kiss goodbye to their business.

Google Adwords is the fastest and most reliable way to get a page 1 ranking.

Within 15 minutes of opening an Adwords account, you can have your ad right in front of your ideal prospects and be generating sales and enquiries through your website.

However, there's a flipside to Adwords: there are a lot of businesses that have tried it and got burned.

And there's a reason why.

While Google has very good information online about how to set up an Adwords account and use their interface, they have very little advice about the **Marketing Principles** behind Adwords success.

For example, as I write this, the [Google Adwords Learning Center](#) has 440 minutes of free tuition videos. And they're worth watching. However, less than 5% of the content is directly about marketing.

... And that's crazy, because Google Adwords *is* marketing. It's just a delivery mechanism for Direct Response marketing.

This white paper was written to fill an information gap. It outlines five of the key marketing principles I use to make money with Adwords, both for myself and for my clients.

And, if you follow these principles, you should find they work for you, too.

Steve Gibson

PS The information in this report applies to the ads that appear when someone searches using Google.

The "Adwords content network" – where your ads appear on other people's websites - is a different game with different rules. And you should take time to learn those rules if you want to advertise with content ads.

Adwords Marketing Principle #1 – Debunking The Pay Per Click Myth

Adwords isn't really pay per click, it's more like "pay per impression dressed up as pay per click".

Let me explain:

Google doesn't rank ads according to how much people are bidding. Instead, they rank them in order of how much money they make for Google each time they're shown.

(i.e. how much they make "per impression")

Example:

Ad A is clicked on 1% of the time with a bid level of £1, therefore it averages $1\% \times £1 = 1\text{p}$ each time it's shown

Ad B is clicked on 2% of the time with a bid level of £0.60, therefore it averages $2\% \times £0.60 = 1.2\text{p}$ each time it's shown

To Google, ad B is better and would typically be placed higher on the page.

(I say "typically", because there are other factors that can influence this)

What Does This Mean For Adwords Advertisers?

There are 3 strategic points to take from this:

(1) The higher your click rate, the cheaper your ads e.g. double your click rate and you can halve your advertising costs.

(2) Every impression costs you, whether they click or not i.e. you either pay for the click or your click rate is lowered. So, think in terms of impressions, not just clicks.

(3) If you've got a niche business, think twice before advertising for general terms

e.g. if you sell Paris holidays, don't go after the general term "French holidays" as you'll be paying to be in front of people who want to go to Normandy, Provence etc.

And, although they'll probably not click on your ad, they'll slash your click rate and you'll have to bid far more just to stay on page 1.

Adwords Marketing Principle #2: The Importance Of Visitor Value

Internet marketing guru, Jonathan Mizel, once said:

“If you can convert visitors to dollars better than everybody else in your market, you get to own the market”

And he’s right; this is the most important factor in internet marketing. That’s because whatever you make from a visitor is what you can afford to pay for traffic.

I call this amount “visitor value” and is calculated like this:

Visitor Value = Value of a new customer x Website conversion rate

So, if a new customer is worth £40 to you and your conversion rate is 2%, you can afford to spend £0.80 to bring someone new to your site.

If your visitor value is higher than your competitors’, you’ve got an advantage when bidding for Adwords positions (and for every other form of paid online advertising).

Conversely, if your visitor value is uncompetitive, you’re going to be up against it every step of the way and your business will be wide open to attack from new competitors coming into the market.

How To Increase Visitor Value

Going back to the equation:

Visitor Value = Value of a new customer x Website conversion rate

there are two ways to increase visitor value

Increase the Website conversion rate

You might already know about split-testing Adwords ads: where you try one wording against another to see which one generates the most clicks (and/or sales).

And, if you’ve tried it, you’ll have discovered that one wording will often get 50% or 100% more clicks than another.

Well, you can do the same sort of testing with your web pages. And the differences can be even greater.

This is because an Adwords ad is only 130 characters long – so, there’s only so much you can change – but a web page has thousands of text characters, plus graphics.

(and most sites have multiple pages in their conversion process)

That means there is a far greater range of possibilities available to you. And, it also means the chances you picked the most effective combination of words and graphics is practically zero.

So, it's not a question of *whether* you can increase your conversion rate, it's just a matter of *how much*.

Split-testing is the most reliable way to do this because it compares the response rates of each version in a scientific test.

Some tests will uncover improvements and some won't. However, any losing test is quickly discarded and the winning tests give you improvements that make you money well into the future.

Or, put it another way:

“When you lose, you lose small. When you win, you win big”

And, as you'll win around half the time (more if you've studied what factors increase response), you'll make far, far more from the increased profits than you'll lose from unsuccessful tests.

Increase the Value of a new customer

The value of a new customer isn't just the profit you make from their first sale, it's the profit you make from every purchase that customer makes for as long as he buys from you.

Usually the easiest way to increase that is to increase the average number of purchases your clients make.

Here are a few things to consider:

- If it's a re-consumptive product, you should look for ways to retain the customer for longer.
- “Tell and sell” – your clients can't buy something from you if they don't know you sell it. So, make sure your clients know about all the relevant products and services you offer.
- If you're looking for other things to sell, you could promote the products and services of other companies to your client base in return for a share of the profits.

Adwords Marketing Principle #3 – The Adwords Slot Machine

I'm sure you're familiar with slot machines: you put money in, press the button/pull the handle, usually you lose, but if you win, money comes back out.

Adwords works in a similar way:

1. You buy a click
2. You put that click into your website
3. Most people don't buy
4. But, when someone does buy, you make money

With the "Adwords Slot Machine", there are two goals:

- (1) Make a profit
- (2) Make a bigger profit

(1) Make A Profit

Your first goal is to get back more money than you put in.

Profit per click = (conversion rate x profit per sale) – cost per click

For example, if you were paying 20p for a click and your profit per sale was £20, you'd need a 1% conversion rate to break even.

If you're profitable, move to stage 2. Otherwise, you need to work to improve your numbers.

(2) Make A Bigger Profit

Once you know you are profitable, you've built a slot machine that works like this:

Profit = number of clicks bought x profit per click

Which is the same as:

Profit = number of clicks bought x [(conversion rate x profit per sale) – cost per click]

Therefore, you should have 4 goals:

1. Buy as many of these profitable clicks as possible
2. Decrease the cost per click
3. Increase your website conversion rate
4. Increase your average profit per sale

Example:

You are buying 1,000 clicks a week at a cost of 50p a click. Your website converts 1.5% of the visitors to sales at an average profit per sale of £60.

So, your Adwords slot machine looks like this:

$$\text{Profit per click} = (1.5\% \times \text{£}60) - 50\text{p} = 40\text{p}$$

$$\text{Profit} = 1,000 \times [(1.5\% \times \text{£}60) - 50\text{p}] = \text{£}400$$

If you can find 10% more clicks (by improving the click rate of your ads or finding other keywords to bid on), you'd increase profit to £440.

Or

If you can cut the cost per click by 10% (by increasing the click rate of your ads and then cutting your bid levels), you'd increase your profit per click from 40p to 45p, which would increase your profits to £450.

Or

If you can increase the conversion rate of your website by 10% (e.g. by split testing), you'd increase your profit per click from 40p to 49p, which would increase your profits to £490.

Or

If you can increase your average profit per sale by 10% (by using techniques like up-selling), you'd increase your profit per click from 40p to 49p, which would increase your profits to £490.

And... if you could do all 4 of these things together, your Adwords slot machine would look like this:

$$\text{Profit per click} = (1.65\% \times \text{£}66) - 45\text{p} = 63.90\text{p}$$

$$\text{Profit} = 1,100 \times [(1.65\% \times \text{£}66) - 45\text{p}] = \text{£}702.90$$

A 75.7% increase in profits.

Summary: the "Slot Machine" model takes you away from ideas about Adwords budgets or the notion of marketing as a cost. Instead, it creates a predictable system where the profits come back quickly and reliably.

Adwords Marketing Principle #4 – The Prospect’s Questions

When a prospect clicks on your ad and arrives at your site, he has some questions in his head. And your ability to answer these questions quickly and effectively will have a major impact on your sales success.

So, what are these questions?

Well, they vary from market to market (and from keyword to keyword), but there are some typical questions you need to address:

Question #1: **Do I like this site?**

Beauty is in the eye of the beholder, but there are a number of turn-offs that will cause a large number of your visitors to hit the “back” button:

- slow loading pages
- “busy” layouts where the prospect has to hunt around for what’s relevant
- small fonts (not everyone has 20-20 eyesight)
- large blocks of unbroken text
- long and meandering sentences
- spelling mistakes and grammatical errors

Question #2: **Are these people credible?**

Your website design has to match the prospect’s expectations. If your market expects a “serious and professional” design, then a cheap looking site with comic sans serif text (**like this**) isn’t going to do the job.

Similarly, colour schemes have to fit with your profession. For example, blue is a far better colour to use for a financial services company than bright pink.

Question #3: **Is this page relevant to my search?**

Typically, the prospect will decide within a few seconds if your page appears to be “on topic”. If he decides it isn’t, he’s gone.

Therefore, your page should quickly connect itself to either the keywords the user searched for or to the headline of your ad.

Question #4: **Do I know what they’re selling?**

Your website needs to explain what you’re selling in sufficient detail that the visitor has a chance to want it.

That means it should cover all the key benefits the prospect might be looking for and list the features that could be part of the buying process.

If that means a lot of text, then it means a lot of text. Experienced direct marketers know “the more you tell, the more you sell” and that long copy usually beats short copy.

So, don't be afraid to give lots of information if there's lots of important information to give.

Question #5: Why should I buy from you, rather than your competitors?

If you can give a strong, specific and persuasive answer to this question, you'll be well on your way to marketing success.

How important is this?

Let me ask you two questions:

- (1) If you – someone who knows and understands your business inside out - can't figure out why a prospect should buy from you, what chance does the prospect have of figuring it out?
- (2) If you don't offer an advantage to the prospect, then if he chooses you, you're the only one that benefits. What's the likelihood of a stranger making a buying decision for your sake?

So, don't expect the prospect to knock his head in trying to figure out an advantage.

Make it easy for him to choose you. Spell it out... and then back up your claims with proof or testimonials.

Adwords Marketing Principle #5 – The 3 Step Success Strategy

Your Adwords campaign is like a “system” that starts when someone does a search and ends when the prospect converts.

And, as a system, it can be broken down into steps and each step can be analysed and improved by using the formula: Measure – Test – Compare.

- 1. Measure** the current success rate of the step
- 2. Test** a different way of performing the task
- 3. Compare** the results and keep the more effective approach

By following this three-step strategy, you can repeatedly improve the profitability of your Adwords campaigns.

What Tools Should You Use?

Adwords allows you to test different ads against each other and shows you the results (both click rate and, where appropriate, sales/conversions).

Google also has a tool for testing different versions of web pages. It’s called “Website Optimizer” and comes free as part of your Adwords account.

It’s a great tool and it allows you to choose what activity you want to call “success”. So, you might track sales (ideal for an online shop), signups or clickthroughs to a page that has detailed information about a product or service.

The key is to decide what you want the visitor to do on that page and try to measure it.

Testing web pages is can be incredibly lucrative. In my experience, it’s quite common to be able to improve individual pages by 20% or more.

And, as there tends to be multiple steps in a sales process, those increases multiply.

For example, if you’ve got a sales sequence of three pages and you improve each of them by 20%, that group of pages will produce 72.8% more sales.

Appendix: How To Choose An Adwords Consultant

You may wish to take the information in this white paper and use it to manage your Adwords campaign more effectively.

However, if you feel that there's a lot to understand with Adwords and it takes a lot of time to manage a campaign properly, you could hire someone to do it for you.

So, I'm going to give you a few tips for hiring the right person:

(1) Choose A Marketer

Adwords success comes down to getting the marketing right. That means:

- Crafting the right offer
- Writing an ad that conveys that offer effectively
- Picking the right words to bid on so your offer is targeted to the people who are most likely to buy.

Although most Adwords experts have techniques they use to increase clicks and reduce costs, these tricks work best when they're used to support the effective marketing and copywriting that does the selling.

(2) Understand What You're Getting For Your Money

"Adwords management" is a vague term. If you're going to be comparing the prices of different companies, you need to know what you'll get for your money.

There are three things to focus on:

- How many hours will the Adwords manager spend working on your account?
- Who will be doing the work? Is it an experienced Adwords consultant or the office trainee?
- What aspects of the campaign will they be focusing on?

(3) Get Someone Who Works Both Sides Of The Click

A talented Adwords manager will increase your clicks, increase your click rate and cut your click cost.

However, that's just one half of the process. If he or she also increases your website conversion rate, you get two advantages working together and multiplying each other like compound interest.

So, make sure you'll be working with someone who'll give you this double benefit.

(4) Make Sure They Care About Your Success

Does the Adwords consultant want to help you or does he just want your money?

There's a simple way to tell:

If he cares, he'll ask about the conversion rate of your site. He'll want to know about the results you've had with PPC to date. He'll want to look at your site to see if he thinks it will do a good job of converting traffic.

In short, he'll be trying to gauge your chances of success.

And, if he thinks your chances of success are poor, he should turn down the job.

(or, at the very least, tell you about his concerns)

Throwing My Hat Into The Ring

If you're looking for help with Google Adwords, I offer a range of PPC services that may be of interest to you.

You can read about them here: <http://www.ppc-services-uk.co.uk/ppc-services.html> along with prices for each service.

Best wishes,

Steve Gibson