

A Benchmark Strategy to Search Engine Marketing (SEM) **In the frenzy of attaining or maintaining the highest ranking in search engines, it's easy to get caught up in keyword bidding wars. Don't give in to this temptation. There's a better way and it begins with finding a break-even cost-per-click benchmark. Cost-per-click the sensible way**

Let's say that you sell golf clubs online. A set of golf clubs retails for \$500. Your cost to manufacture or purchase the clubs is \$300 per set. If you reserve an additional \$100 per set for other operating expenses, you are left with \$100 per unit to spend on marketing efforts such as cost-per-click campaigns.

Now assume that of every 100 visitors to your website, one visitor buys a set of clubs (a 1% visitor-to-customer conversion rate). You have \$100 to spend to attract those 100 visitors, which translates into a \$1 break-even per-click benchmark. If you exceed \$1 per click, you will lose money. If you pay less than \$1 per click, you will make money.

It's essential to understand this benchmark when buying cost-per-click advertising. When you know the conversion rates for each of your keywords, you'll be able to bid the appropriate amount - more for the keywords with higher conversion rates, and less for the keywords with lower conversion rates.

Now, let's look at this in action. The Google Analytics Revenue per Click (RPC) metric can give you insight into how much you should spend per click on a given keyword or cost-per-click campaign. You should not assume that Revenue per Click by itself provides the correct number for your business. Revenue per Click assumes that you can spend 100% of your revenue on cost-per-click advertising. Since you will want to factor in your production and business operating costs, you should consider what percentage of your revenue you can actually spend on cost-per-click advertising, and adjust your bid accordingly.

For example, let's say that you have an RPC of \$11.66 per click for "beginner golf tips". If you can spend 10% of your retail price on cost-per-click advertising, your actual bid should be 10% of \$11.66 or \$1.16 per click. Spending more than \$1.16 per click for this keyword would cause you to lose money. Spending less than \$1.16 per click for this keyword would result in profit.

I don't understand how my competitors can afford to outbid me

Maybe they can't afford it - and haven't yet discovered that they can't afford it. They may simply be caught up in the bidding war machinery. But, it's also possible that lower operating costs or higher profit margins allow them to spend a larger chunk on cost-per-click. Or they may be getting higher conversion rates for certain keywords than you do. Study their search ad copy and research their website - you might pick up some tips on improving the conversion side of the equation on your site.

In the meantime, know that you are bidding the amount that fits your business requirements and your conversion rate.

But I don't sell online

Even if you don't sell online, you may be able to attach some monetary value to each of your website goals. Consider how much each lead you gain from your website is worth and use that to determine how much you should be spending for cost-per-click.

If you are a B-to-B site, you may convert your leads into sales offline. If you know that your sales staff closes 5% of your website leads for an average transaction profit of \$1,000, you can calculate your break-even benchmark as follows:

Break-even benchmark = website conversion rate x 5% x \$1,000

For a keyword that yields a visitor-to-lead conversion rate of 2%, and assuming that you can allocate \$1,000 per transaction for cost-per-click, your break-even benchmark will be:

2% x 5% x 1,000 = \$1 per click

Managing, not just measuring

Getting the most out of cost-per-click means that you must continually monitor your results with Google Analytics so that you don't over-bid. Think of web analytics as an online marketing management tool - experimenting, testing, and always improving your cost-per-click strategy to maximize your website ROI.

Not enough time to continuously monitor these results? Leave it to Dimnet's experts in Search Engine Marketing. To find out more, please contact us using the form below.