Seven Pay-Per-Click Mistakes to Avoid

By DAVID H. FREEDMAN

A few days ago, I described how a stay-at-home mom named Amy Gottesman built a six-figure party-entertainment business largely via the effective use of Google AdWords and other pay-per-click advertising services. These services allow a company to bid on certain keywords and phrases, and if the bid is high enough a short ad from the company will appear alongside the search results of anyone typing those words into a search engine and on some other Web sites. The business then pays the bid price — it can be anywhere from pennies to more than a thousand dollars depending on the competition for those words — every time someone clicks on the ad.

If Ms. Gottesman’s story inspires you to give pay-per-click a go, or if you’ve already tried your hand at it but haven’t been thrilled with the results, you might want to make sure to steer clear of seven common mistakes. In part 1 of the post, I noted the first of the mistakes: giving up before you pull in enough clicks to allow for the sort of analysis that can lead to vast improvements in results. Here are the six other mistakes:

- Focusing on click-through rates. The most obvious measure of a pay-per-click campaign is the percentage of time that a displayed ad is clicked on. If you get a single click for every ten thousand times an ad is displayed, you have a low click-through rate. If you get a click one out of four times, you’re a click-through genius.

  But keep in mind that the click-through rate is useless by itself. It largely determines the cost of your campaign — you’re paying per click, remember? — but it tells you nothing about the benefits you’re getting in return.

  You could be raking in thousands and thousands of clicks and not making a dime on any of them. Or you could be pulling in just a handful of clicks and getting rich. Your bottom line in a pay-per-click campaign is how well your spending generates income. Every decision you make with the campaign should be focused on getting customers to spend money with you, not just on getting them to click on your ad. That might mean, for example, that you have to pull an ad that’s getting wildly clicked on in favor of one that isn’t such a big click draw but entices more buyers. The same goes for the keywords you choose to bid on.

- Not mastering conversion metrics. The biggest advantage to online advertising is an improved ability to calculate your return on investment. That you’re getting a positive return might be obvious, as it was initially for Ms. Gottesman when her phone started ringing. But return from a campaign can be more obscure if you already have an online sales flow, if you have other forms of marketing going on at the same time, and if sales routinely fluctuate.

  For starters, you’ll want to set up and pay close attention to Google’s conversion-tracking tools.
They're designed specifically to determine the rate at which people driven to your Web site by your ad end up doing something specific, like making a purchase or asking for more information or signing up for a mailing list. Capturing an actual online sale will obviously be the clearest indication that your pay-per-click investment is paying off, but if you have a more complex sales pipeline, and especially if a lot of your visitors end up buying from you offline, you'll want to figure out a way to place a dollar value on the other types of clicks your ads bring in.

If you tell Google's conversion tracking tools what the different types of clicks on your site are worth to you, it will tell you what your total return on investment is. To improve tracking, try to tempt your visitors to click on something before running off to follow up with you offline. “Instead of just putting up a phone number and saying, ‘Call us,’ have them click on a little box that offers to tell them how to get more information,” suggests Frederick Vallaeys, Google's “AdWords Evangelist.” Anything you can do to get offline customers to tell you how they heard about you will help you determine your return.

o Not setting the right budget. With traditional advertising it’s always been ferociously difficult to know what’s paying off, and for that reason it always made sense to budget based on what you felt comfortable spending. But that’s a dopey way to budget for pay-per-click advertising — you’d almost certainly either be throwing away some of your money or passing up the opportunity to hit it bigger.

If you can figure out roughly whether you’re getting a positive return on investment, you should base your budget on that and nothing else. If you’re not making money on the campaign, keep your spending low until you fix it — you won’t make it up on volume.

If you’re making money, spend more and keep spending more and more as long as you stay in the black — until you can’t handle or just don’t want the extra business or until the monthly cash outlay becomes so large that it threatens to cause cash flow problems. Ms. Gottesman kept the pedal to the metal until she started hitting both of those limits. If your campaigns aren’t going into the black after a lot of effort to make them work, walk away.

o Not tweaking everything relentlessly. The expression “If ain’t broke, don’t fix it,” doesn’t apply here. Even if you’re making big bucks on pay-per-click, adjust relentlessly — it’s so easy to do, carries so little risk, and has such a huge potential upside, that it’s silly not to do it.

You should always be on the hunt for better keywords, better ads, and better ways to convert ad clickers. Google offers tools to make the tweaking process almost automatic: A “bid simulator” gives you a prediction of how new keywords are likely to pan out for you. A “campaign experiment” tool helps you divert just a small portion of your budget to a different campaign so you can run it as a test in parallel with your main campaign, and then either shift money over if it scores big or kill it if it doesn’t. You can spread your spending over different times of day to get a better return. You can try campaigns on Bing/Yahoo and AOL. Even a small improvement in sales can make all the difference if it tips you into a positive return, because you can start spending big and amplify those returns.

o Shooting too high. If your keywords aren’t highly desired by other advertisers, you can grab good ad placement for pennies. But if you’re selling high-ticket goods or services in a crowded
industry, and particularly if you’re going up against better-heeled competitors, you can face thousand-dollar bids on hot keywords. Good luck to small law firms, for example, that want to advertise on pages tied to keywords such as “injury” and “lawsuit.”

To save money, Mr. Vallaeys said, focus on more obscure keywords, ideally ones that reflect your business’s specialties and strengths. And don’t fixate on prime placement. Ms. Gottesman said she pays around $50 a click for fairly productive keywords and often saves a bundle by settling for being the second or third ad on a page instead of gunning for top position, which she said doesn’t produce substantially more clicks or sales. (Ms. Gottesman won’t say much more about what words she goes after and how much she’s willing to bid on them — it’s her key competitive edge.)

- Not reassessing your strategy. Even after you’ve got everything optimized and running smoothly and profitably, it’s a good idea to take a step back every so often and see if there isn’t some way to take it up to a higher level or to adapt to changing conditions.

Maybe there are ways to tie keyword choices and spending to seasonal cycles, maybe the competition is going after your tried-and-true keywords and rendering them overpriced, or maybe new potential customers are coming into the market and can be grabbed with entirely new keywords. Maybe what you’re seeing with keyword responses can suggest entirely new lines of business you should be looking at.

Have you made your own mistakes with pay-per-click advertising — or found new twists to make it work? Please do share.

You can follow David H. Freedman on Twitter.