



Pay Per Click vs. SEO: Which is Better?

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Search Engine Optimization, or SEO, and Pay Per Click advertising, or PPC, together comprise the bulk of Search Engine Marketing, or SEM. SEO is all about boosting page rankings on search engines through third party links, articles, directory placements, and other means. PPC, on the other hand, involves an auction. With PPC, an advertiser pays whenever someone clicks on an ad appearing in the "Sponsored" or "Paid" area of the search engine results page. The more the advertiser is willing to pay per clickthrough, the higher that ad's position on the search page.

Here we look at PPC and SEO from a number of different viewpoints to try to answer the question, "Which is better?"

Spending Patterns

All PPC providers (with Google being the biggest) automatically include daily and campaign budget limits. Keywords can be easily moved up or down in search engine position by raising or lowering keyword bid rates. Furthermore, PPC campaigns are generally easier to measure and track than SEO. These factors all make it easier for advertising and marketing managers to get PPC approved over SEO. The result is that marketing managers clearly prefer PPC over SEO. According to SEMPO, The Search Engine Marketing Professional Organization, a total of 87% of SEM spending goes to PPC and 11% goes to SEO. For 2008 the numbers came to \$10.6 Billion for PPC, compared to \$1.3 Billion for SEO.

Different Payment Models

Whereas PPC is pay as you go, SEO requires an upfront investment with no guarantee of performance. A small business can start a PPC campaign with no money down, try it out for a month with a budget as small as \$50, and see immediate results. The same firm would probably have to pay anywhere from \$2,500 to \$5,000 up front to hire an SEO consultant and wait a month or two before seeing any results, all without any performance guarantee, and very little transparency. It is no wonder so many small businesses with small budgets choose PPC over SEO.

Fine Tuning

With PPC, advertisers can add, subtract, or change keywords at will. If all of a sudden you run out of "blue suede shoes" and only stock "red suede shoes" you can instantly swap out "blue" and replace it with "red".



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Another useful feature of PPC is "negative keywords". Negative keywords allow advertisers to specify what they DON'T want to pay for. As an example, suppose a window distributor sells Pella windows but does not sell Andersen windows. Then it makes sense to create a set of negative keywords that contain the word "Andersen" to avoid paying for searches for Andersen windows. The judicious use of negative keywords can often mean the difference between being profitable and being unprofitable.

These features have no counterpart in SEO. SEO advertisers have much less control over when their pages show up, but since SEO traffic is "free", the lower level of control isn't an issue to most advertisers.

Measurement and Tracking

PPC has the edge over SEO when it comes to measurement and tracking. Google Adwords in particular has a wide range of tools that help advertisers identify the best keywords, estimate traffic, report on previous campaigns, and test and compare different ads with each other to see which phrases yield the best results. These tools are even more powerful when combined with Google Analytics --- Google's system for tracking and measuring website traffic and usage patterns. Google Adwords' tools alone make PPC indispensable for most search engine marketers.

Timing

PPC advertisers have precise control over when their ads appear (at least with Google Adwords). For instance, an ad can be turned on at 3:00 o'clock and turned off at 4:00 o'clock, or run on weekdays and turned off on weekends and holidays. This is not the case with SEO. Since page rank is determined by the collective effect of thousands, or tens of thousands, of other websites, timing is much less precise with SEO. In fact the whole concept of "timing" with SEO is fuzzy, since the only control one has is over page rank. In practice, a page can be "turned on" or "turned off" by gradually raising or lowering its page rank, but for most sites this means response times on the order of a few days to a few weeks. This is one reason why ecommerce sites often favor PPC over SEO.

Stability

The previous argument can be turned on its head. The fact that SEO campaigns cannot be timed precisely can be viewed as an advantage: SEO traffic is more stable and generally lasts longer than with PPC. An investment in a well-designed SEO effort can lead to high page rankings for several months, even years, whereas a PPC campaign only yields results until the budget runs out. Tom Casale, co-founder of Simplified Solutions, an Internet marketing firm located in Chicago, likens PPC to a "sugar high", whereas SEO is more like a long term commitment to a balanced diet and moderate exercise.



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Real Estate

PPC ads only appear at the top or the side of search results pages, whereas "organic" or SEO ads appear in the middle of the page. About 60%-70% of the average search page is devoted to SEO results, compared to about 30%-40% for PPC. In other words, SEO occupies more "real estate" than PPC. Furthermore, many people have a negative reaction to PPC ads --- PPC ads are "more commercial" and "easier to manipulate" than organic listings. The result is that SEO tends to yield higher clickthrough rates than PPC ads. According to BusinessWeek, SEO clicks convert at a 25% higher rate than PPC. Marketing Sherpa found that SEO clickthroughs convert (to a sale) at a rate of 4.2% whereas PPC ads convert at 3.6%.

Fraud

"Click fraud" occurs when someone clicks on a keyword in order to force an advertiser to pay for the clickthrough. Unscrupulous firms pay people to click on competitors' ads to drain their advertising budget. In other cases affiliate sites pay people to click on ads appearing on their site, so the affiliates generate more revenue. A few years ago there was a lot of concern about PPC advertising click fraud. Some advertisers claimed that as many as 50% of their PPC clickthroughs were fraudulent. This led to a concerted and aggressive crackdown by the major search engines and PPC providers to more closely monitor and reduce click fraud. While some amount of fraud is probably unavoidable, it appears these efforts have largely been successful.

But fraud can also occur with SEO. Some SEO firms use tricks to quickly boost search engine rankings. These tricks, such as "keyword stuffing", lead to a sharp increase in page ranking, followed by a crash when the search engines punish the advertiser for violating their rules. Another type of fraud is harder to detect. Since nobody can absolutely guarantee a specific page ranking, very few SEO firms offer any guarantee. They simply say they will do their best. Fine, but how does an advertiser know if they did anything at all? Unscrupulous SEO firms lure customers in through slick advertising and low fees, and then do as little actual work as possible. While the vast majority of professional SEO firms are honest and do exactly what they say, a small number of unscrupulous firms damage the industry's reputation. This may be another reason why PPC advertising gets so much more money from advertisers.

Return on Investment

The traditional wisdom among marketing professionals is that SEO yields a higher ROI than PPC. But the world of PPC has changed over the past few years, mostly driven by Google AdWords. Google has created dozens of tools for implementing and measuring PPC campaigns. These tools, when properly used, allow advertisers to systematically increase targeted traffic while decreasing costs. Actual results will depend on specifics such as industry, competition, the state of the economy, and other factors, but anecdotal evidence shows that PPC can generate ROI results similar to those from SEO.



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An Example

I recently helped a client fine-tune one of her PPC campaigns. We ran a "search query" report on Google Adwords to see exactly what keywords people were clicking on and how much she was paying for each clickthrough. We found that one particular keyword was getting a huge volume of clickthroughs. The offending keyword was "word processing", which is one of her specialties. But people were also typing in "word processing jobs", "word processing software", "word processing systems" and dozens of other combinations related to things she doesn't do. She was paying for searches that had absolutely nothing to do with her business. We fixed this by replacing "word processing" with "word processing assistance" and other targeted variations. We also added negative keywords such as "jobs" and "software". These simple changes lowered her monthly clickthrough charges by about 20% without any decrease in the number of leads generated per month.

Summary

While advertisers spend more money on PPC than SEO, most experts believe SEO delivers a better value over time. It is harder for advertisers with big budgets to game SEO, and SEO investments have a longer shelf life than PPC investments. On the other hand, Google is continuously improving PPC so a higher ROI is achievable now than ever before. In the past, smaller firms (especially service firms) have avoided PPC, whereas ecommerce firms have avoided SEO. This is changing quickly as smaller service firms discover that PPC affords increased flexibility and larger firms become more comfortable with SEO.

The PPC vs SEO debate will probably continue for a long time. However, the vast majority of businesses could benefit from some combination of SEO and PPC. The ideal proportion of PPC to SEO for any particular advertiser will probably vary over time, as competitors and products change. Smart marketers understand that SEO and PPC are complementary and neither one is "better" than the other.