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Pay-Per-Click Search Engines: A Really Bad Investment

By Dean Phillips

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What was once such a good thing is now a rip-off and a sham!

I'm talking about pay-per-click search engines, and how they've become a really bad investment!

There are two reasons for the deterioration of pay-per-click search engines: high bid prices and out of control click fraud.

A few years back, you could get popular keywords at a halfway decent bid price. Nowadays, even moderately popular keywords are ridiculously high.

How high? Well, let me give you an example, using the most popular pay-per-click search engine: Overture.

Let's take the popular keyword phrase, "home business."

At the time this article was written, Overture's top bid for the keyword phrase "home business" was an exorbitantly high \$2.28. Just to get on the first page, it would cost you \$0.61, which would place you last at number forty.

Now let's just delve inside the numbers for a moment, shall we? I'm not going to even bother breaking down the number one bid price, because quite frankly, it's obvious the top spot is reserved for and controlled by the high-rollers.

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So, let's break down bid number forty. The bid price of \$0.61 means that for every 100 visitors Overture sends to your website, it's going to cost you \$61.00. Now, here's where the numbers really get interesting.

According to the so-called experts, a decent conversion ratio is right around one percent. In other words, one out of every one hundred visitors to your website converts to a sale. I happen to know for a fact that most websites don't even come close to converting one percent. However, that's a subject for another day.

Using the very generous one percent conversion ratio, here's

the problem. Unless you're selling a big-ticket item and making \$100 or more per sale, it's impossible to make any real money with pay-per-click search engines. You just can't do it!

For example, if you're selling a \$20 e-book and you're paying \$61 to get one hundred visitors to your website, with a one percent conversion ratio, that means your website is making a measly \$20 for every one hundred visitors. That leaves you \$41 in the hole. Even, if you were selling a \$50 product, you'd still be \$11 in the negative.

And even if you cut the bid price in half and made it \$0.30, there's still another problem. It's called click fraud and it's a major problem among all of the pay-per-click search engines.

In a nutshell, click fraud is what occurs when someone fraudulently clicks on your ad over and over again, without any intention of responding to your offer. Click fraud hurts advertisers by driving up the cost of each click because many online advertising programs adjust the price of each click based on the popularity of a particular keyword and the number of competing advertisers.

And depending on how popular your keyword is, it can take just a few minutes to register hundreds or even thousands of clicks. Click fraud can quickly deplete your pay-per-click account and leave you with nothing to show for your expenditure.

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At the present time, the pay-per-click search engines seem to be powerless to stop click fraud. To their credit, Google even admitted as such.

In a recent filing to the Securities and Exchange Commission, Google acknowledged, "We are exposed to the risk of fraudulent clicks on our ads. We have regularly paid refunds related to fraudulent clicks and expect to do so in the future. If we are unable to stop this fraudulent activity, these refunds may increase. If we find new evidence of past fraudulent clicks, we may have to issue refunds retroactively of amounts previously paid to our Google Network members."

In conclusion, because of unreasonably high bid prices and rampant, out of control click fraud, I consider pay-per-click search engines a really bad investment, and recommend you stay away from them!

Pay Per Click Search Engines – A Fundamental Overview

By Kirk Bannerman

Forbes magazine reported that pay per click ads accounted for \$1.4 billion in 2002 and are expected to increase to \$8 billion by 2008. The fundamental core elements of a successful pay per click program are constant monitoring, analysis, and refinement.

Pay per click search engines offer a way to buy your way to the top of search results for any term you wish. With proper management, and a clear focus, pay per click search engines can offer some of the most well targeted and economical advertising on the Internet.

Pay per click advertising works through a bidding process, and the ads appear prominently on the results pages of search engines such as Google and Yahoo. The highest bidder for a particular word or phrase receives top placement, and depending on the engine, the top three to five bidders also generally also receive placement on the first page of unpaid search results.

Fundamental questions to be addressed when formulating a pay per click search engine strategy include the following:

When is the top pay per click bid necessary for highest conversion, and when will bidding for a second or third place position create a more attractive return on investment (ROI)?

How can you keep your PPC bids from cannibalizing your search efforts on other (non pay per click) search engines?

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What percentage of your pay per click budget should go to each search engine?

Does either Google Adwords or Overture work better for your particular product or service? Or, perhaps neither one is appropriate from a return on investment (ROI) perspective.

It is of critical importance to focus sharply on identifying the search terms that convert most frequently for your particular site, eliminating those that don't perform, and most importantly, calculating and maximizing your return on investment.

The cost structure of pay per click is action-driven and each time a user clicks your ad, the pay per click engine deducts the amount of your current bid from your account. Pay per click offers a high level of assurance that your ad is reaching the proper target.

Pay per click campaigns, however, are not perfect. Without CONSTANT monitoring, you sometimes risk incurring advertising costs that can spiral out of control, focusing on terms that don't convert well for your product or services, or falling way down in position during a bidding war.

PPC advertising can be a great help to a site's success, but only with very close supervision and a thorough knowledge of the unique characteristics of each PPC search engine.

Kirk Bannerman operates a successful home based business and resides in California. For more details, visit his website at

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