



Best Practices For- Marketing and  
Optimizing your Search Engine Process



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**New Methods in Search Marketing:  
*Contextual Advertising and Other Evolutions***



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# Search in 2004: *The Evolving Market and the New Opportunities*

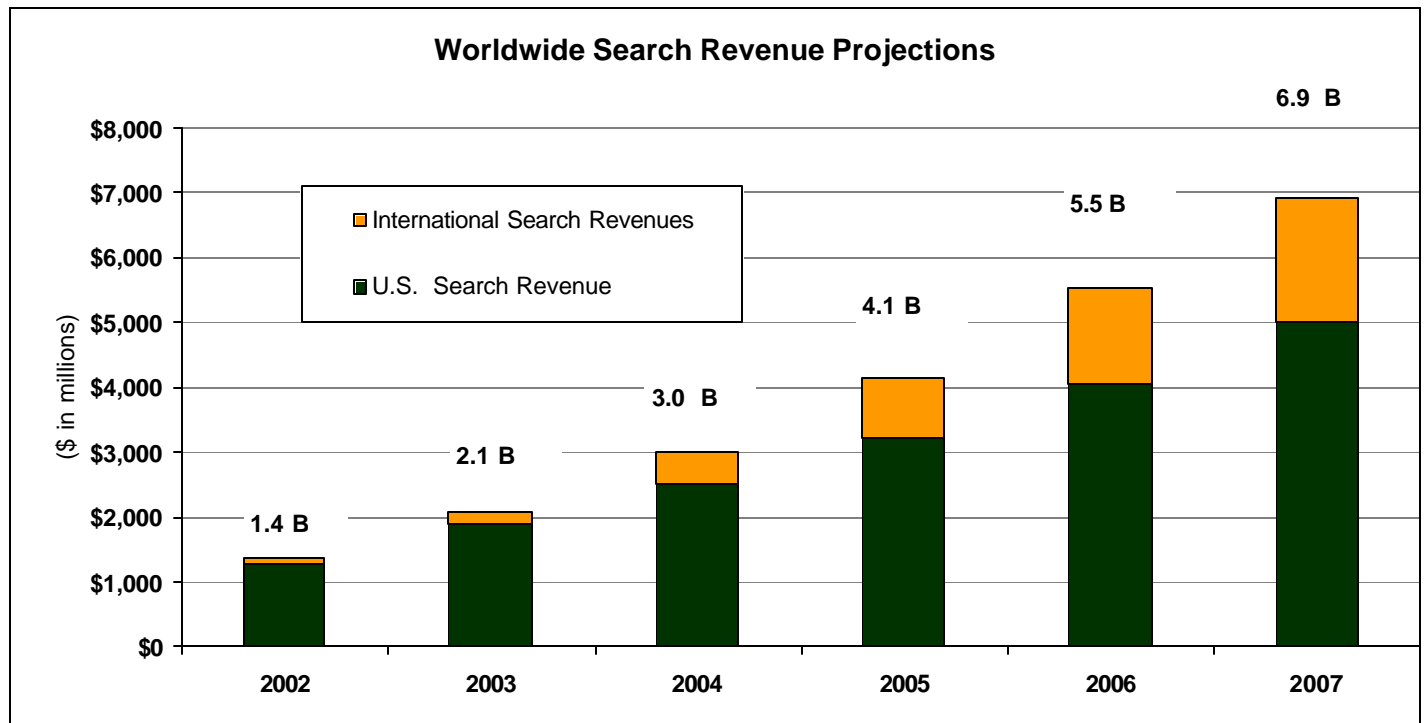
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1. The Size of the Market
2. Why is Search Growing so Fast?
3. How Search Used To be
4. How Search is Evolving Today
5. Most Promising Strategies

# Original Estimates - Published March 2003

## Search in 2003: A Real and Growing Business

- From almost nothing 2 years ago, Search is now a \$1.5 billion industry growing to \$7 billion by 2007

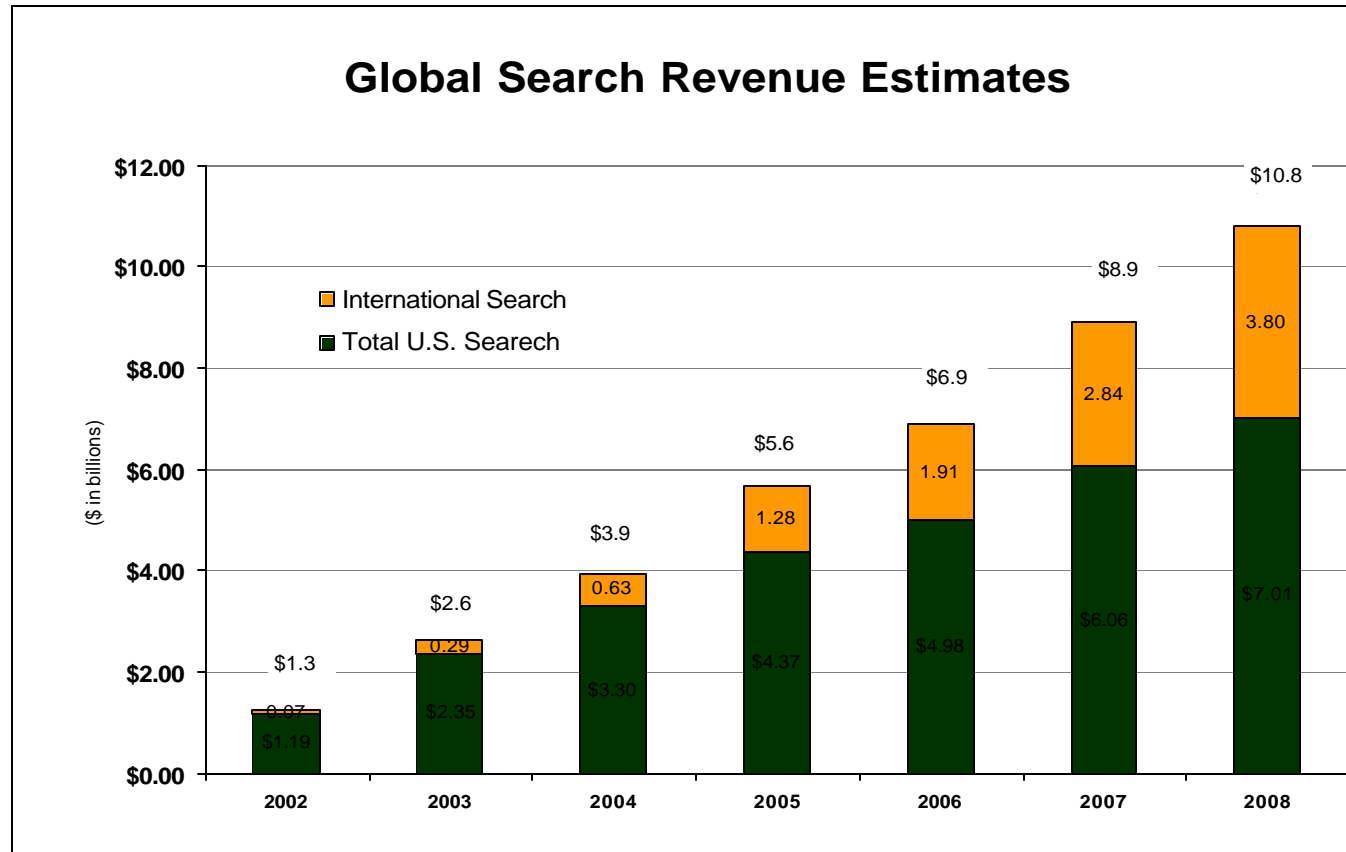


Source: Piper Jaffray & Co.

# New Estimates: A *Faster* Growing Global Business

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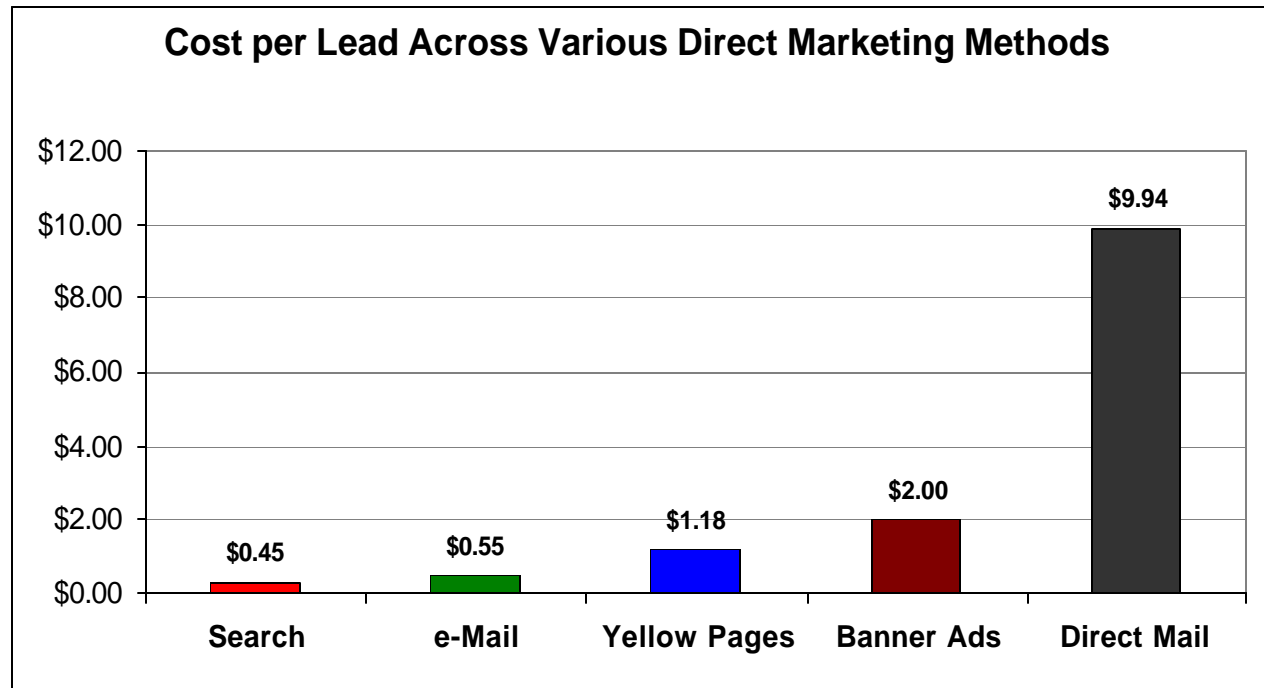
- Global Search Revenues, excluding local search, should exceed \$11 billion by 2008



Source: Piper Jaffray & Co.

# Why is Search Growing so Fast?

- It's Still the most cost-effective way for advertisers:



Source: Piper Jaffray & Co.



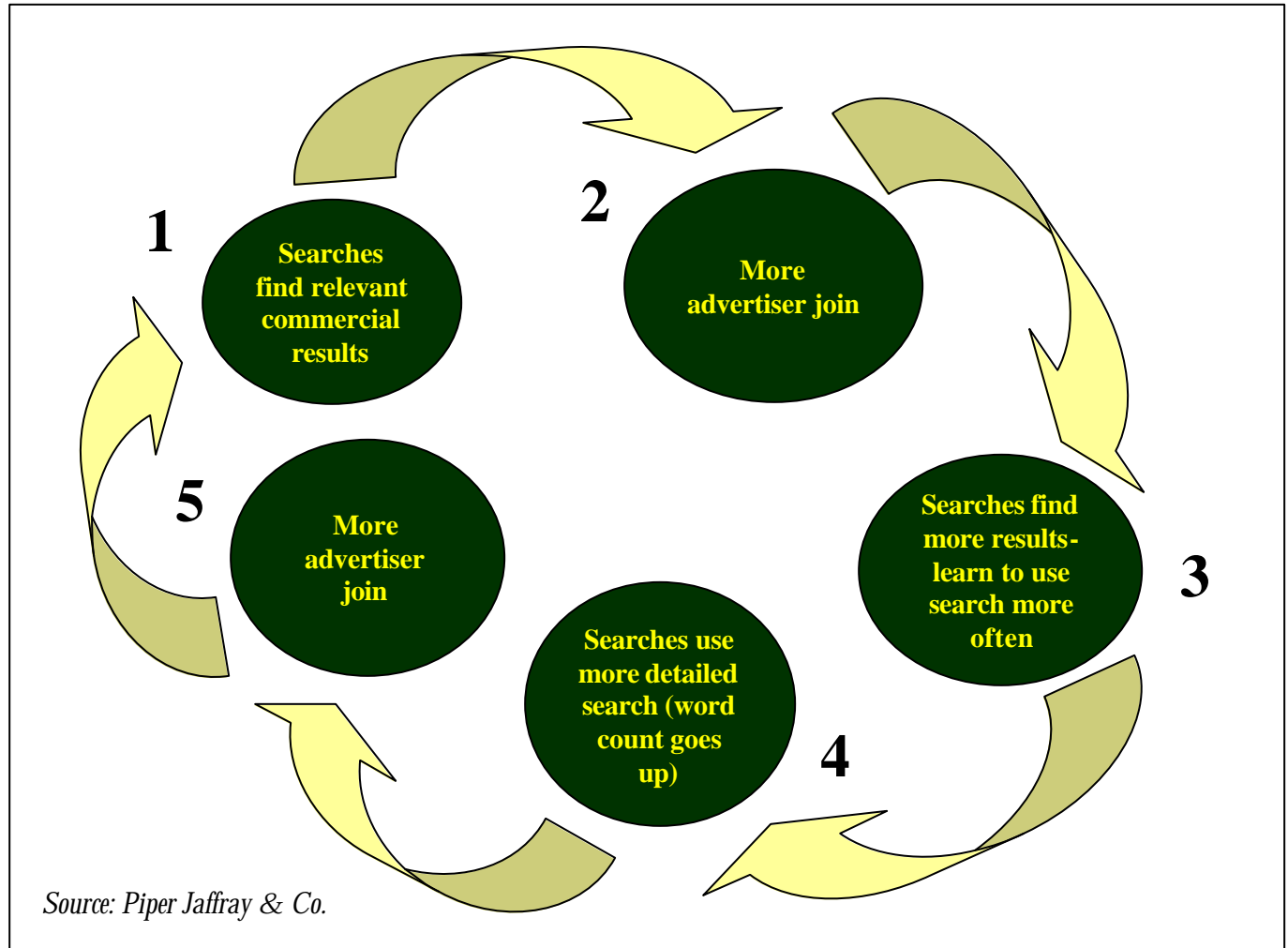
# Why is Search Growing so Fast?

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1. It's still the most cost-effective way for advertisers
2. More advertisers – growing to 200,000 on its way to seven figures
3. More Searchers: search volume continues to grow at 10%-20%  
(compare with viewership of network TV)
4. Advertisers need more search volume – willing to pay more
5. Searchers are becoming more sophisticated- The Virtuous Cycle:

# Why is Search Growing so Fast? The Virtuous Cycle



# How Search Used to Be... The Early Days of Paid Search

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- Advertisers will buy a few hundred keywords at most
- Most managed their keyword buys in-house
- Little competition from big brands
- On some sites, users were bombarded with paid links
- It was easy to discover unused keywords and bid \$0.05 for it at Goto.com

*Search Was Discovered and Driven by Small Businesses*

*It was Very Cheap, and very effective*

# How Search is Today and Evolving- New Methods

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1. Big Business is in- Click charges are going up
2. Companies are also focusing on how increase conversion: Site Analytics is playing a big role
3. Focus on Customer life Cycle is increasing
4. Increased relevancy is the key for the site and for the advertisers
5. Increased focus on algorithmic search: the forgotten free goldmine
6. Contextual search is taking off
7. SEMs are growing in popularity and size; a major force in search business


## Four key Emerging Areas

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- **Contextual advertising:** Early results are very promising – could turn out to be a big syndication network of classified ads
- **Local Advertising:** A \$12-\$18 billion offline business in the U.S alone, could migrate mostly to online
- **Branding value-** Big consumer brands are finding the need to be in front of the customers when they are searching – a high brand recognition value compared to when user are consuming other content
- **Keyword Analysis-** Find the ROI for each keyword and each position; maximize the total return

# Contextual Advertising: The Back Pages of Magazines

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- Click through rates likely to decline
- Will become a permanent part of most content pages
- Relevancy and Adjacency is the key- User's will get used to ignoring them if they don't click on them
- Should not be used for branding- specific offers are the key to success



# Conclusions

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- Search and paid search are likely to get much bigger and could start impacting other types of media buys
- It is still early days in search and making money in search is easy – both for publishers and for advertisers
- Customer conversion and customer retention should be the next big goals of the merchants, once a lead is acquired through search
- Expect to pay higher prices and focus on increased conversions; successful companies will try to maintain flat cost-to-conversion, despite increasing rates



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**Thank you**