

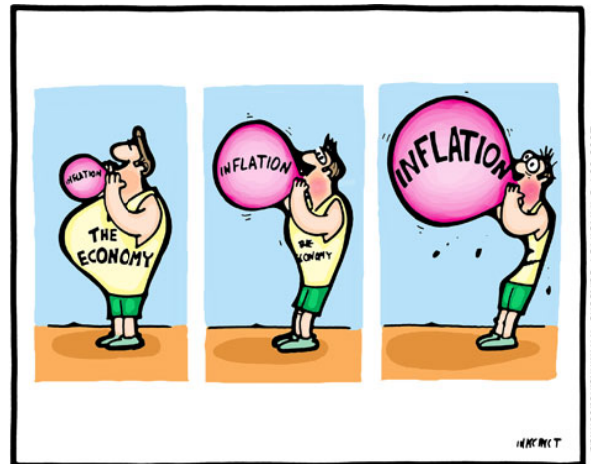
Inflating CPC's & Means to Control in Paid Search Campaigns

Between 2010 and 2011, paid search spends in South East Asia (SEA) has seen a growth rate of close to 10% which reinstates the value the medium drives for our advertisers.

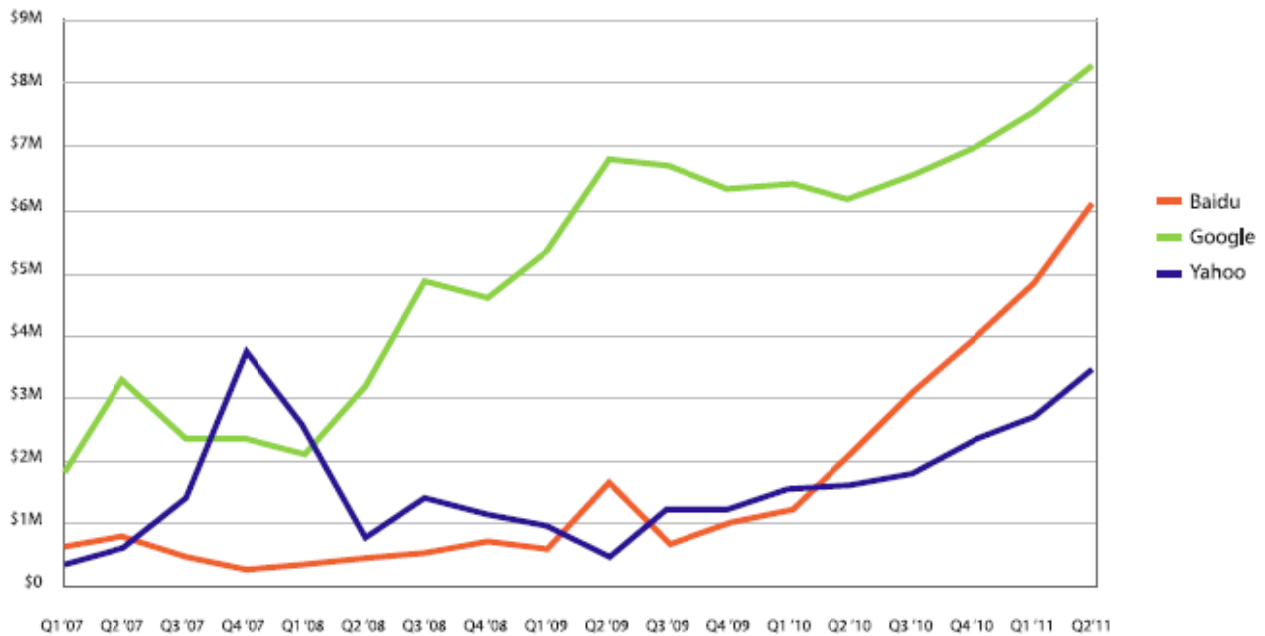
Every advertiser expects efficiencies in media buys and reducing CPC's with year-on-year investment – but given the nature of the medium is has resulted in increase in CPC's in some of our campaigns.

Search has gathered strong momentum and we forecast that spends will increase at the rate of 20%+ year-on-year with larger part of spends coming from markets like India, China, and the rest of SEA.

As the share of search remain the same between popular English search engines – Google/Yahoo. Search engines like Baidu / Naver are becoming strong in their respective markets. This in turn has resulted in increased spends on these search engines very rapidly unlike seen in the previous years.



APAC Paid Search Advertising Spending – by Platform (2007-2011)



ⁱ See end note

With this increased spending across product/industry categories, it has resulted in increased in CPC's that advertisers have seen on their campaign historically. Some of the reasons which we agree with other search marketing campaigns are :

- Spending increases are going to relatively high priced “generic” keywords.
- Baidu CPC's are increasing due to increases in spend in the region as well as the way Baidu bid management system works.

Cost per Click Analysis

Search Engine	CY 2007	CY 2008	CY 2009	Q3'10	Q4'10	CY 2010	Q1'11	Q2'11
Ask		\$ 0.36	\$ 0.38	\$ 0.76	\$ 0.72	\$ 0.71	\$ 0.69	\$ 0.68
Baidu	\$ 0.13	\$ 0.14	\$ 0.16	\$ 0.27	\$ 0.32	\$ 0.25	\$ 0.35	\$ 0.42
Google	\$ 1.22	\$ 1.06	\$ 0.72	\$ 0.74	\$ 0.75	\$ 0.74	\$ 0.79	\$ 0.81
Bing	\$ 1.28	\$ 1.60	\$ 0.64	\$ 0.99	\$ 0.98	\$ 0.92	\$ 1.02	\$ 1.08
Rambler		\$ 0.06	\$ 0.80			\$ 0.00	\$ 0.13	\$ 0.13
Yahoo	\$ 1.59	\$ 1.16	\$ 0.74	\$ 0.89	\$ 0.86	\$ 0.79		
Yandex	\$ 1.16	\$ 1.09	\$ 0.56	\$ 0.62	\$ 0.63	\$ 0.61	\$ 0.61	\$ 0.62
Total	\$ 1.19	\$ 1.04	\$ 0.71	\$ 0.77	\$ 0.76	\$ 0.76	\$ 0.79	\$ 0.83

ⁱⁱ See end note

Some inflation that we've seen in the categories we manage as below on campaigns which ran on Google + Yahoo in SEA markets:

Category	2009	2010	Q1' 11	Q2'11	Q3'11
Travel	\$1.10	\$0.90	\$1.20	\$1.10	\$1.25
FMCG	\$0.83	\$0.73	\$0.88	\$0.80	\$0.80
B2B	\$1.05	\$1.10	\$1.12	\$1.10	\$1.02
Technology	\$0.44	\$0.46	\$0.44	\$0.40	\$0.35
Telecom	\$1.08	\$0.61	\$0.58	\$0.58	\$0.60
Finance	\$0.80	\$0.81	\$1.10	\$1.25	\$2.25

ⁱⁱⁱ See end note

Combating Inflation as an Advertiser

While we see the trend of CPC inflation to continue, there are few remedies to ensure that you campaigns either sustain a stable CPC or see a reducing trend. These measures in order of priority includes:

- a. **Reduce the frequency** at which you make changes – especially if you are rotating landing page URLs or changing ad copies without making any significant improvements on the landing page itself (this diminishes the quality score further).
- b. **Always on** campaign help combat the sudden raises in CPC costs. The longer a campaign runs the lower the chance of being subjected to market inflation or the increments are not that high.
- c. Manage bid by portfolios / profiles / KPIs. It's a good practice to group keywords & ad groups against a management KPI. This will help reduce the overall CPC's of the campaign. Use a **3rd party bid management tool** to consolidate all your search activity into one interface.
- d. Start calculating **Incremental Click Costs (ICC)** – this helps in justifying if the incremental cost you pay per click by increasing or reducing your bids. A must do for campaigns which are running on acquisition/ecommerce mode in large markets like China, India, Japan, Korea and Australia.
- e. Even though Google rules the marketplace with 80%+ share of searches; in the near future the BING+Yahoo integration will also result in increased CPCs; just because their model is slightly different than that of Google.

Reach out to your local Mindshare Search Partner to help combat your inflating CPC.

ⁱ Source: Covario Global Paid Search Spend Analysis.

ⁱⁱ Source: Covario Global Paid Search Spend Analysis and internal data from Mindshare campaigns.

ⁱⁱⁱ Source: Internal MS campaign data as available for various clients.