



iProspect Search Marketer Measurement & Performance Study

June 2007

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Background

In March 2007, **iProspect** partnered with **JupiterResearch** to develop and field a survey to qualified search marketers to gain a better understanding of search marketer behavior as it pertains to results measurement and personal performance evaluation. The same questions used in this survey were also posed in previous iProspect search marketer surveys fielded by JupiterResearch, that resulted in the ***iProspect Outsourced SEO Metrics & ROI Study*** (August 2005) and the ***iProspect Search Marketer Performance Study*** (August 2005). Trending information in this study is derived from these two previous studies, and the panels and samples used for the previous studies were comparable to the panel and sample used for this study.

2005 & 2007 Methodology

In August 2005, and then again in March 2007, JupiterResearch conducted a formal survey of search marketers and agencies. Respondents were targeted by familiarity with their company's search marketing efforts and screened for involvement with marketing their company's products. A total of 636 qualified search marketers completed the survey in 2005, and 794 did so in 2007. Respondents received an e-mail invitation to participate in the survey, with an attached URL linked to the Web-based survey form. As an incentive, respondents were entered into a sweepstakes for the chance to win a \$50 gift certificate from Amazon.com.

Prior to being presented questions, survey respondents were provided with the following definitions:

Search ads are text-based online ads that are found on search results pages (also referred to as paid or sponsored listings).

Paid inclusion is a search engine marketing model in which website owners pay a search engine company to guarantee their sites will show up in search results.

Executive Summary

Question 1

Hypothesis

Prior to fielding the survey that produced the *iProspect Search Marketer Measurement & Performance Study*, iProspect hypothesized that between 2005 and 2007 there would be a significant increase in the percentage of search marketers who would be able to measure the return on investment (ROI) of their campaigns. Our assumption was that the level of “sophistication” of the average search marketer was increasing and, as such, these more sophisticated search marketers would perform a better job at measurement in general. It was also our prediction that a higher percentage of marketers would be able to separate the ROI between their search engine optimization (SEO) and paid search advertising campaigns.

Survey Question & Responses

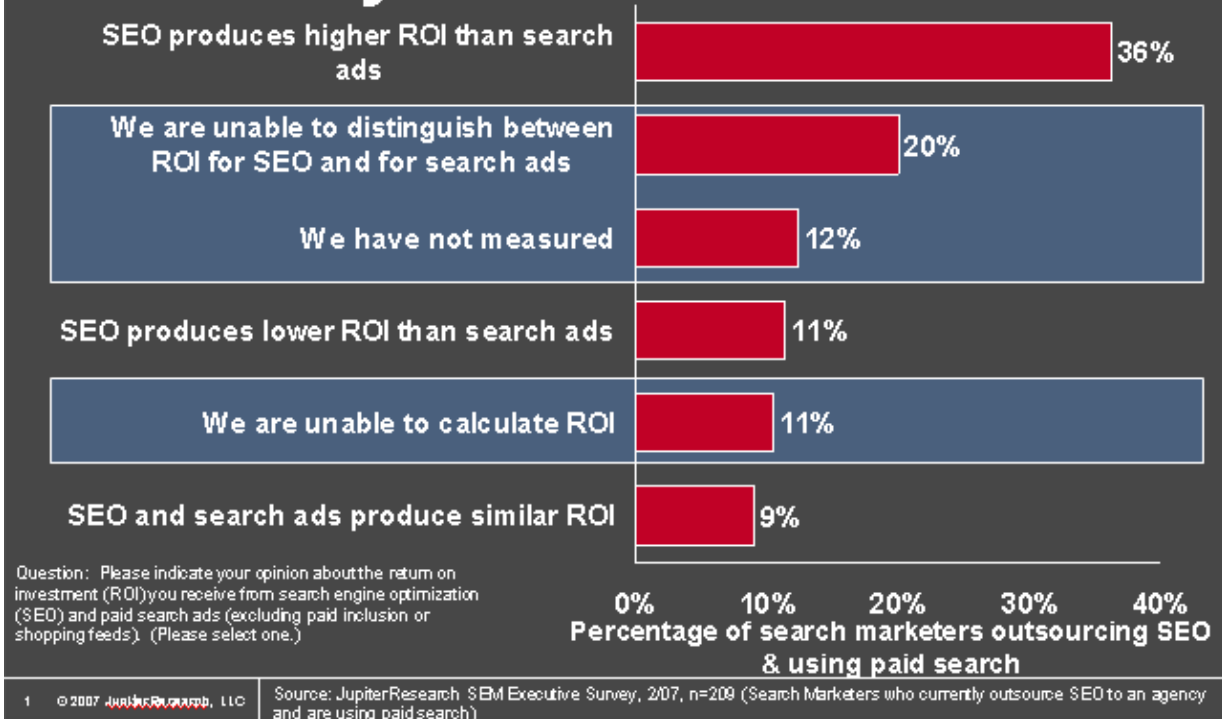
When search marketers — who outsource their natural search engine optimization to an SEM firm — and who also participate in paid search advertising were asked...

"Please indicate your opinion about the return on investment (ROI) you receive from search engine optimization (SEO) and search ads (excluding paid inclusion)."

The results were as follows:

	2007	2005
SEO produces higher ROI than search ads	36%	35%
We are unable to distinguish between ROI produced from SEO and from search ads	20%	14%
We have not measured	12%	21%
We are unable to calculate ROI	11%	11%
SEO produces lower ROI than search ads	11%	10%
SEO and search ads produce similar ROI	9%	9%

43% Of Marketers Don't/Can't Accurately Measure ROI from SEO



SEO Nets Higher ROI than Paid Search

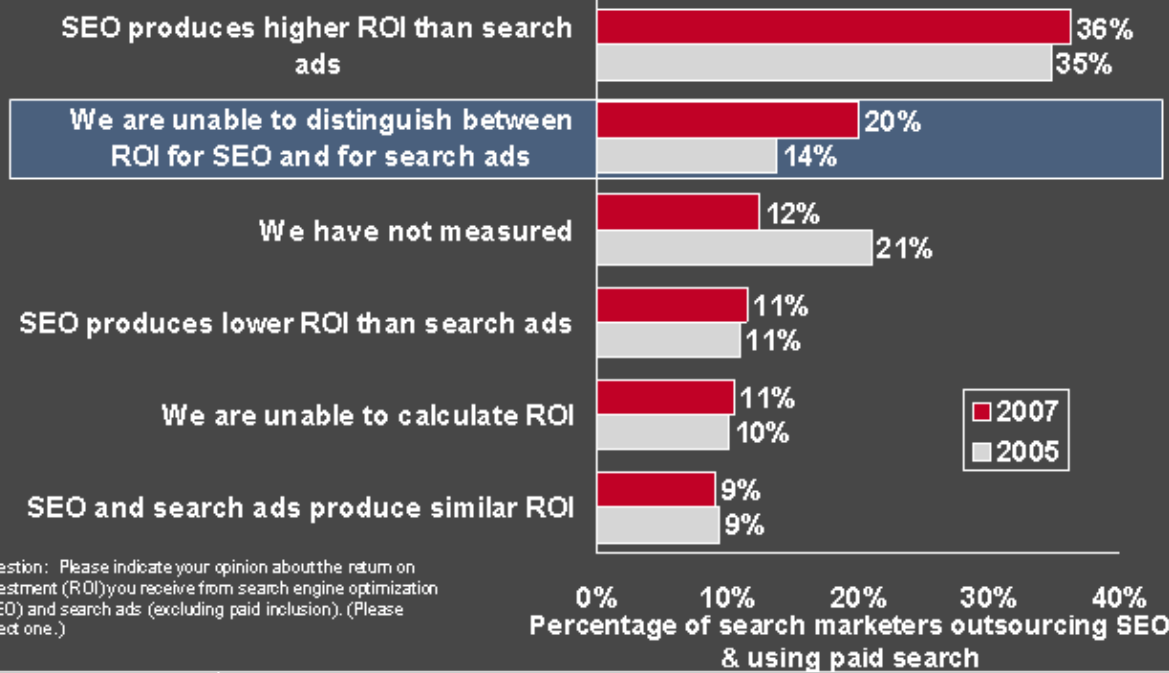
In addressing the ROI measurement of SEO campaigns, the study finds that in 2007, as in 2005, a greater number of search marketers who outsource the management of their SEO to an outside firm — and who also participate in paid search advertising — net a higher ROI from SEO (36%) than from paid search advertising (11%).

Overall ROI Measurement Increases While Discreet ROI Measurement Drops

In 2007 a full 43% of these marketers either do not, or cannot measure the ROI of their SEO efforts, or are unable to separate the ROI of their SEO campaigns from that of their paid search campaigns. This compares to 45% who responded this way in 2005.

But a separate look at these limitations finds that this combined figure is deceiving, as the percentage of search marketers who are simply unable to separate the ROI of SEO from that of their paid search advertising campaigns **increased** from 14% in 2005 to 20% in 2007. This increase occurred while those who did not or could not measure the ROI of their SEO **decreased** from 32% in 2005 to just 23% in 2007. Separating these two figures demonstrates that the number of search marketers now measuring ROI has actually increased, with **9% more** measuring ROI now than two years ago.

Difficulty In Distinguishing ROI Has Increased Since 2005



2 © 2007 JupiterResearch, LLC Source: JupiterResearch SEM Executive Survey, 8/05, n=138 (Search Marketers who currently outsource SEO to an agency and are using paid search); 2/07, n=209 (Search Marketers who currently outsource SEO to an agency and are using paid search)

Question 2

Hypothesis

Prior to fielding the survey that produced this study, iProspect hypothesized that between 2005 and 2007 there would be an increase in the percentage of search marketers who have their job performance evaluated by their search marketing metrics, and that there would also be an increase in the percentage of search marketers whose job performance was evaluated by “business” results (monetary results that are associated with an organization’s bottom line).

Survey Question & Responses

When search marketers were asked...

“Which of the following natural or paid search marketing metrics are taken into account when your company is evaluating your job performance? (Choose All that Apply)”

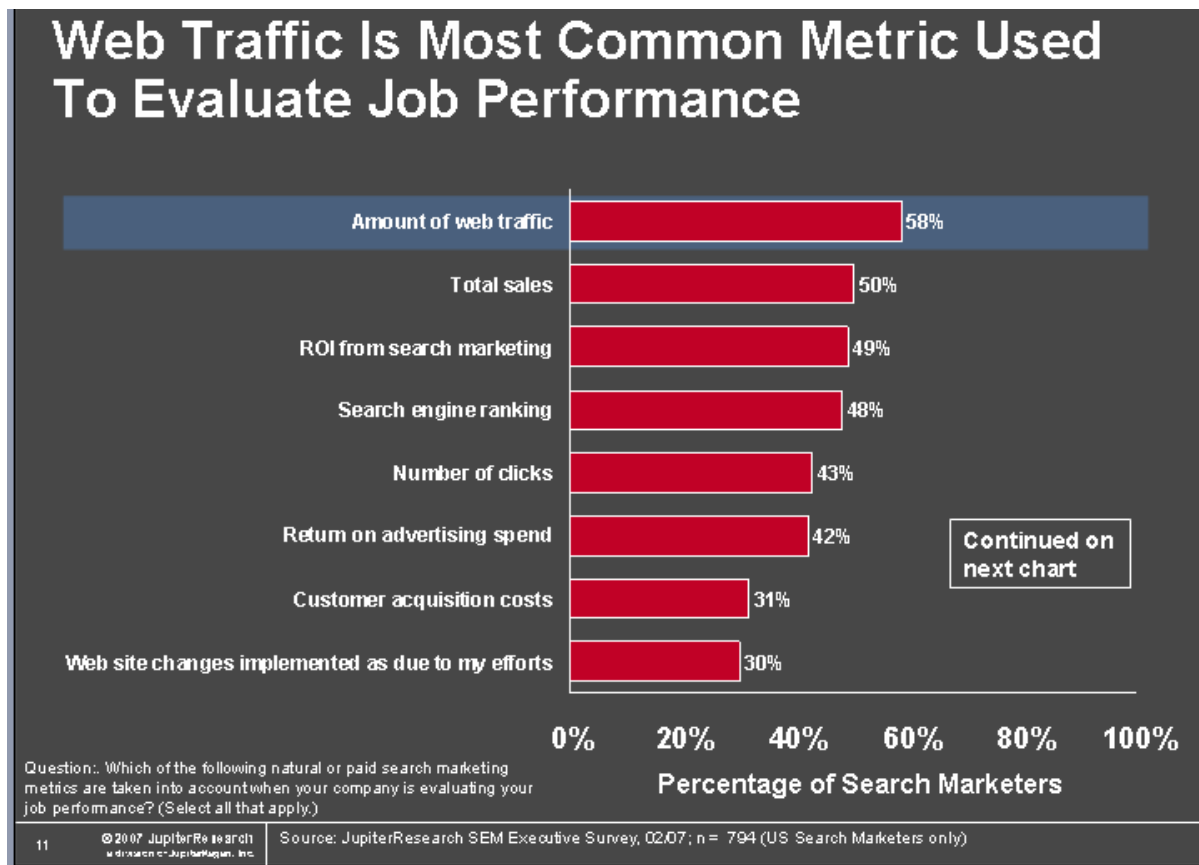
	2007	2005
Total amount of Web traffic	58%	51%
Total sales	50%	34%
ROI from search marketing	49%	43%
Search engine ranking	48%	49%
Number of clicks (search referrals)	43%	40%
Return on advertising spend	42%	29%
Customer acquisition costs	31%	24%
Website changes implemented due to my efforts	30%	27%
Number of leads generated or products sold online	26%	26%
Brand impact	21%	18%
Number of leads generated or products sold offline	17%	23%
Call center volume	9%	10%
Amount of traffic to physical store	4%	7%
Search metrics not tracked	1%	2%
Other	2%	2%
Company’s search marketing metrics not tied to personal job performance	14%	19%

More Search Marketers' Performance Evaluated on Metrics

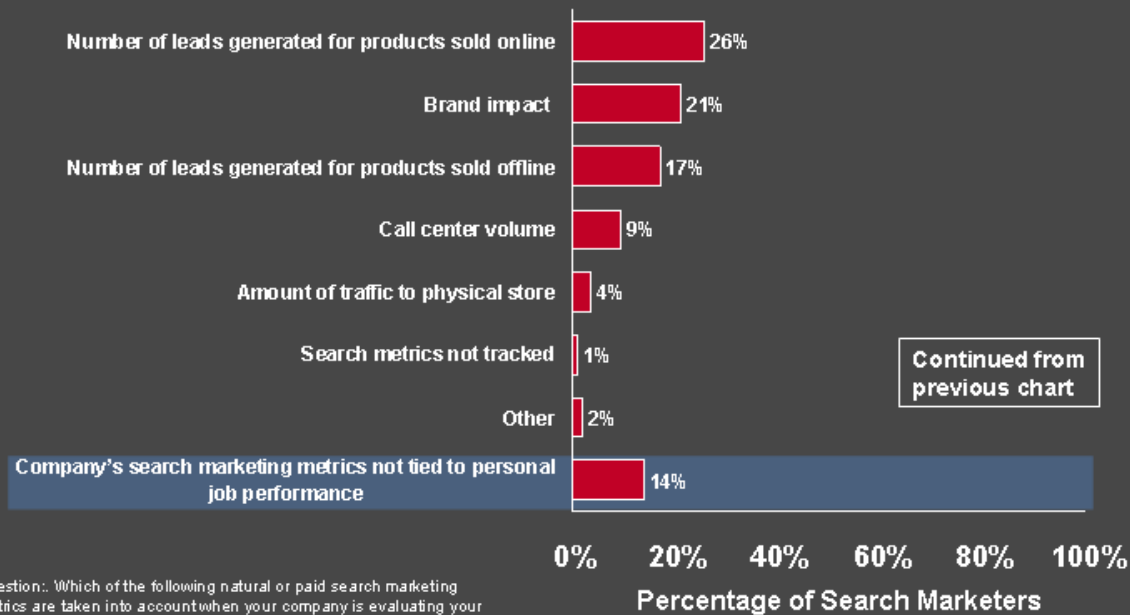
In our 2005 study we were surprised at the high percentage of search marketers that did not have their performance evaluated by search marketing metrics. As it turns out, in 2007 5% more search marketers have their job performance evaluation tied to their company's search marketing metrics. Specifically, 19% did not tie performance to metrics in 2005, and 14% did not in 2007.

Increase in Job Performance Evaluation Based on Business Results

In 2005 we were also surprised by the relatively low percentage of search marketers whose job performance was evaluated based on business results. Instead, website traffic (a non-monetary metric), was the leading metric used to evaluate search marketers' job performance. Surprisingly, the same holds true today. But despite that fact, the percentages of several of the true business results – total sales, ROI, and ROAS – have increased. In 2007 50% of search marketers have their performance evaluated by total sales compared with 34% in 2005. The percentage evaluated using return on advertising spend (ROAS) has increased to 42% in 2007 from 29% in 2005, while the percentage evaluated using ROI increased to 49% in 2007 from 43% in 2005.



14% Of Search Marketers Are Not Evaluated Based On Search Marketing Metrics



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Source: JupiterResearch SEM Executive Survey, Q2,07; n = 794 (US Search Marketers only)

Impact of Search on Offline Drops as Performance Metric

Considering the amount of industry buzz about the impact of search marketing on offline sales, we expected to see a rise in the number of search marketers whose performance is evaluated based on the offline sales that their search marketing efforts generate. However, the study finds that the percentage of marketers whose performance is evaluated based on this metric has dropped from 23% in 2005 to 17% in 2007. We find this decrease surprising, and expected that the opposite trend would have been identified.

Brand Impact Inches Up As Job Performance Evaluation Metric

Given the lengthy debate within the industry about search marketing's impact on branding, a small, but very noteworthy increase was seen in the percentage of marketers whose performance was evaluated based on the impact their efforts had on their brand (18% in 2005 to 21% in 2007). Since search marketers have increased their ability to measure the ROI of their SEO efforts, perhaps they have also increased their ability to measure brand impact.

Analysis & Implications – Question 1

SEO Nets Higher ROI than Paid Search

The finding that more search marketers report higher ROI from their SEO campaigns than from their paid search advertising campaigns is consistent with the finding of the [iProspect SEO Metrics & ROI Study](#) (August 2005), where the identical question was asked. Because the factors of cost structures, perpetual ROI, and bid price inflation have not substantively changed since 2005, it is not surprising that there has been so little change in this finding since that time.

Cost Structures

We believe one of the key reasons behind the consistency of this year's finding with that of 2005, is that the pricing model for the typical SEO engagement is different than that of paid search advertising. This provides an inherent advantage to SEO when calculating ROI. With paid search advertising, a search marketer pays for every visitor who clicks to his website from his paid search ad. What's more, he also pays an additional fee if he is using a third party bid management tool or an outside firm to manage the campaign. And when participating in paid search, marketers may also experience click fraud – clicks intended solely to waste marketing dollars.

Calculating the ROI for a paid search advertising campaign requires totaling the amount that was paid for all the clicks, plus a possible management fee being charged on top of each click, plus other overhead and costs of goods sold. The sum of those costs is then divided by the revenue generated by those clicks. As a result, there is an incremental cost associated with every incremental dollar in revenue that's generated.

When outsourcing SEO, however, search marketers typically pay a flat, fixed fee for an engagement and add their internal overhead and costs of goods sold to the campaign. Then the sum of those costs is divided by the revenue generated by the clicks produced by their SEO campaign. So with every successive dollar produced, the SEO campaign incurs no additional per click cost, no potential click fraud, and no additional management fee per click. By definition, with every dollar produced by SEO, the ROI increases.

Perpetual ROI

SEO has an ancillary advantage over paid search advertising in the calculation of ROI. If a search marketer stops bidding on paid search ads, all clicks to his website from that channel immediately stop, as does the production of revenue. However, if a search marketer participating in SEO stops all investment in his campaign, or stops optimizing his website, the website's pages will continue to appear within the natural search results for an indeterminate period of time. During that time they will still produce traffic, still generate revenue, and will continue to increase the return on the original, fixed SEO investment.

Bid Price Inflation

Another key element to consider is that paid search advertising inflation continues to take place, with the bid prices in most online auction marketplaces increasing year over year. In fact, according to the JupiterResearch U.S. SEM Executive Survey (April 2007), rising bid prices are the number one challenge faced by the highest percentage of search marketers (over 60%). In addition, the JupiterResearch July 2006 Paid Search Forecast projected search engines' revenue per thousand queries (RPQ) would increase from \$37.75 in 2005 to \$62.51 by 2011. A key reason behind this inflation is that paid search advertising is easier and quicker to start performing, and its results are typically easier to measure on their own. As a result, paid search advertising as a channel has more advertisers competing, hence more pressure driving up the cost per click.

Overall ROI Measurement Increases While Discreet ROI Measurement Drops

It is very encouraging that only 23% of search marketers who outsource the management of their SEO to an outside firm now either do not, or cannot, measure the return on investment (ROI) of their efforts, compared to 32% in 2005. This translates to an increase of 9%. After all, marketers should be motivated to track the ROI of their vendor engagements in order to justify the cost of those engagements. It would also seem logical that vendors would proactively provide Web tracking and analytics tools, as well as professional services and support to clients so search marketers can evaluate the success of their vendors' efforts.

Although it appears to be a dwindling problem, company-specific technical, organizational, and "business model" obstacles are the key contributors to this challenge.

Obstacles

Technical obstacles include a search marketer's lack of access to Web analytics software, his failure to track cookies on visitors from their first visit to eventual conversion visit, or his failure to tag website pages with tracking codes that are required by the Web analytics software.

Organization obstacles include both a lack of internal human resources and lack of budget for outsourcing the implementation of these technical solutions. Both of these obstacles can often be traced back to lack of executive level buy-in and commitment to search marketing, and can also contribute to this inability to track ROI. Based on the response to Question 2 within this study, the organizations where the 14% of search marketers work (who do not have their job performance measured by any of their search marketing efforts) provide little personal motivation for their employees to track ROI.

Business model obstacles include instances where a website has nothing to do with directly or indirectly generating revenue (e.g. disease information sites created by pharmaceutical companies), as well as instances where "transactions" resulting from someone visiting the website are designed to take place via an offline channel (call center, physical store, etc.) that cannot be linked to the website visit.

Reasons for Improvement

Based on the assumption that the average search marketer is more knowledgeable and "sophisticated" than he was in 2005, and that the industry as a whole has evolved and grown more mature, it makes sense that some percentage of marketers who were unable to overcome their technical, organizational, or business model obstacles in 2005 has done so by 2007. It would also make sense that the more mature industry and marketplace is doing a better job educating and providing resources for new search marketers about these potential obstacles, enabling them to avoid them more often than in 2005.

When considering a finding from Question 2 below – specifically, that a higher percentage of search marketers are having their job performance measured by monetarily-based "business" results in 2007 than in 2005 – it would also follow that search marketers have more personal and more financial motivation to track the ROI of their search marketing efforts.

Inability to Separate SEO from Paid Search ROI Has Increased

In the case where search marketers who outsource the management of their SEO to an outside firm are tracking the ROI of both their SEO and paid search advertising, 20% of them might be looking at a single ROI figure for the two channels compared to 14% in 2005.

To track the ROI for SEO and paid search separately merely requires adding a tracking code (that can be recognized and interpreted by a search marketer's analytics software) to the destination URL that's defined for each paid search ad or keyword on which the marketer bids. By doing so, the analytics software will be able to differentiate paid search traffic and conversions from the "organic" search traffic and conversions. From that point it's simply a matter of gathering the monetary value of the conversions, costs of goods, and other overhead to perform the appropriate math to calculate the separate ROI figures for paid and organic (SEO) search campaigns.

As with the technical and organizational obstacles to measurement discussed in earlier findings, lack of sufficient internal human resources and budget for training, and implementation of this solution are obvious symptoms of inadequate executive-level sponsorship and/or commitment to the search marketing channel.

Analysis & Implications – Question 2

Most Search Marketers' Performance Evaluated on Metrics

Increased industry maturity, increased search marketer sophistication, and increased ROI measurement are possible reasons why 5% more search marketers have their job performance evaluation tied to their company's search marketing metrics. 81% of search marketers tied performance to metrics in 2005, and 86% did so in 2007.

Increased Industry Maturity

The maturation of the industry, including better search marketer education and easier access to information about accepted best practices, has most likely contributed to a higher percentage of search marketers calculating the ROI of their efforts. It has also most likely caused companies to feel more comfortable and motivated to evaluate the performance of their search marketers based on the critical success metrics of their various initiatives. This may be due in part to a higher level of knowledge about search marketing within senior management in some organizations (which did not exist as frequently at these levels in 2005).

Increased Search Marketer Sophistication & Specialization

Trial and error takes place; marketers seek and receive more search marketing education; experience and expertise are gained; systems and procedures are put in place; and search marketers' strategies and techniques increase in sophistication. As this happens, clearer lines can be drawn between the cause and effect with search marketing campaigns. Another byproduct of this increased sophistication is increased specialization, where marketers who at one time may have been responsible for a number of channels, now have their focus narrowed to specialize in search marketing. When this happens, it makes sense that marketing organizations will establish goals and evaluate their employees based on their attainment of search-marketing-specific goals.

Increased ROI Measurement

With an increase in search engine marketing knowledge and sophistication of both the front line search marketer as well as senior level marketing executives, the perfect marriage is created. While search marketers know how to achieve marketing performance through strategic and tactical implementation, and how to accurately measure the results of their efforts, committed executive level marketers provide the resources that are required for measuring ROI, and then hold their staff accountable for producing it.

Increase in Job Performance Evaluation Based on Business Results

That fact that a higher percentage of search marketers have their performance measured by total sales at 50% in 2007 to 34% in 2005, on return on advertising spend (ROAS) at 42% in 2007 to 29% in 2005, and on ROI from search marketing at 49% in 2007 and 43% in 2005, demonstrates increased sense of control and ownership on the part of search marketers, and an increased sophistication on the part of senior executives.

Increased ROI Ownership & Calculation

Because a higher percentage of search marketers are performing the appropriate tracking and measurement of their results and subsequently pulling together the necessary pieces of additional data, they now find themselves with all the information required to correlate their efforts with actual monetary "business results" as never before. And because they feel that they have control over the systems and the processes that measure and analyze these results, they have a higher degree of comfort in allowing their job performance to be evaluated on these criteria. After all, most search marketers would probably rather be evaluated on the fact that their efforts netted an additional \$2 million in sales, or \$1.5 million in ROAS, than an additional 15,000 visitors a month.

Sophistication of Senior Management

It was only a matter of time before the CMO (and others with corner offices) began demanding that search marketers document the monetary results of their initiatives and start reporting successes in terms (dollars) that senior management could better understand. After all, it was the senior executives who bought into and committed resources to search marketing. This is one of the key reasons for the increased percentage of search marketers who are now calculating ROI. One can assume that there has been an increase in the percentage that now calculates sales figures and ROAS as well. The demand for measurement and for results to be expressed in dollars – not monthly unique visitors – has probably been accompanied by a corresponding demand that their search marketers' performance be evaluated by the same monetary criteria.

Impact of Search on Offline Drops as Performance Metric

Since 2005 the percentage of marketers whose job performance is evaluated based on the offline sales that their search marketing efforts generate has decreased from 23% to 17%. At first glance this would seem to contradict the "maturing industry" and "more sophisticated marketers" reasons offered for a number of the increases that this study reveals. Especially since sophisticated search marketers should be viewing search marketing as an activity to not only drive online conversions, but offline conversions as well. And sophisticated search marketers should be able to devise ways of measuring the impact that their efforts have on offline channels.

Dwindling Confidence in Criteria

Anecdotally, given our exposure to so many search marketers on a regular basis, we believe that there is a far higher percentage of them who are now charged with generating offline activity in 2007 than there were in 2005. A possible explanation for the 6% drop mentioned above might be a newfound lack of confidence on the part of search marketers after an initial period of trust, that the systems or criteria by which offline channels are attributing search marketing with conversions that take place in those channels. Unlike the business results referenced earlier, for which search marketers feel they are in complete control, perhaps they feel that if they can't own and manage the measurement and attribution functions within a channel, they aren't going to agree to have their job performance evaluated based on these metrics.

Sophistication after All

If search marketers cannot avoid involvement with metrics they cannot control, perhaps it's actually the growth in sophistication of the average search marketer that is leading this figure to drop. In 2005, less sophisticated search marketers agreed to have their job performance evaluated by criteria that was being measured and attributed to them in a manner with which they ultimately did not agree.

Brand Impact Inches Up in Job Performance Evaluation Importance

Though the increase was just 3%, rising from 18% in 2005 to 21% in 2007, it's interesting to note that there has been any increase at all over the past two years in search marketers' involvement with, and impact on their organization's branding. The possibility exists that this is a result of brand marketers becoming responsible for search marketing, but the more probable reason – one that makes sense in light of search marketers' increased ability to measure ROI – is that search marketers are slowly discovering and implementing ways to not only impact branding by using search marketing techniques, but to also measure the impact their efforts have on the brand.

About iProspect

Founded in 1996, iProspect is the Original® Search Engine Marketing Firm. We help organizations with large, complex websites increase their online ROI and market reach through natural (organic) search engine optimization, pay per click advertising management, paid inclusion management, feed management, and other related services.

iProspect has a long legacy of research and thought leadership in the search marketing industry:

How Visible is the Fortune 100 to Web Searchers in February 2001.

Marketing Tactics of Big Brands Not Meeting Web User Expectations in July 2002.

Searcher Behavior Shows Top Listings are Most Important in November 2002.

iProspect's Search Engine User Attitudes Study in April 2004.

iProspect's Natural SEO Keyword Length Study in November 2004.

iProspect's Search Engine Marketer Performance Study in August 2005.

iProspect's SEO Metrics & ROI Study in August 2005.

iProspect's Natural SEO Outsourcing Study in August 2005.

iProspect's Search Engine User Behavior Study in April 2006.

iProspect's Social Networking User Behavior Study in April 2007.

iProspect's Search Marketer Social Networking Survey in May 2007.

Findings from iProspect research are regularly used to enhance our service offerings and to educate clients on search engine marketing best practices and industry trends. iProspect studies are frequently quoted by speakers at search marketing industry events, and by both business and trade press.

Proper attribution requires that the study is clearly identified as the "iProspect Search Marketer Measurement & Performance Study."

With U.S. offices in Watertown, Massachusetts and San Francisco, California, as well as offices **across the globe**, iProspect can be contacted at 1-800-522-1152, or by visiting www.iprospect.com.

Questions regarding this release should be directed to iProspect Media Relations Manager, Colleen Reed, at 1-800-522-1152 x1203 or creed@iprospect.com.