



UNIVERSITY OF GOTHENBURG

Paid Traffic

Pay per click advertising in Swedish companies

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Abstract

Title Paid traffic - Pay per click advertising in Swedish companies

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According to Kotler online marketing is the fastest growing form of direct marketing. It has gotten increasingly important for companies to have a strategic plan for communicating with the public online. Statistics show that the yearly ad spend online is increasing at a rapid pace showing us that companies have understood the importance of appearing on the search engines and being available in appropriate environments.

The purpose of this study was to investigate how Swedish companies use pay per click advertising. This was achieved by sending out a digital survey to Swedish companies who were bidding on various keywords in March 2012.

The results show that there are many areas where Swedish companies can improve how they are working with pay per click. Some of them include keywords research, use of custom landing pages and implementing tracking.

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Introduction

In this introductory chapter the problem area will be presented. A background is given to the chosen problem, which is then followed by a purpose and study questions.

Some marketing managers argue that the traditional marketing mix consists of direct mail, sponsorship, TV, Radio, Press, etc. All of which are popular channels for companies to communicate with the public. (Zook, 2011) It can however be argued that a problem with the traditional approach and using these channels are the costs involved in developing the ads and the flexibility of being able to track results. E.g. it can be hard to know if a new customer came from a direct marketing effort or a TV ad campaign.

Zook (2011) argues that on a \$10 million television ad campaign as much as \$1 million might be spent on ad production and \$9 million on buying the media. We can therefore argue that nine times more effort should be spent on choosing the media carefully. When choosing the media mix we want to be aware of where media is being consumed. Statistics show that Online and television are up, in terms of where consumers go to gather their news. Watching television and using the Internet simultaneously i.e. multitasking is growing increasingly. In Canada watching TV on the Internet has even gotten bigger than regular TV. (Zook, 2011)

The Internet has brought us new technology that has meant change for strategic communication. At the same time it has opened up for communicational opportunities not previously feasible. Online marketing is the fastest growing form of direct marketing and the widespread use of the Internet is said to have an impact on both buyers and marketers (Kotler, 2009). With the Internet as a medium for communication we can see clear tendencies that we are moving further away from a one-way mass communication model. The institute for advertising- and Media statistics (IRM) presents data, which shows that in the year of 2009 investments on the Internet regarding marketing communications increased with 2.5 percent, in 2010 that investment had increased to 14.5 percent (irm-media.se). Based on the investment trends we can clearly see how Internet based marketing communications is growing and is becoming an increasingly popular channel for companies to communicate with the public.

When talking about strategic communication on the Internet we have seen a new concept form: Search engine marketing. The concept consists of Search engine optimization (SEO), Pay per click (PPC) and Social media (SEMPO, 2010). To be visible on top search engines like Google, Bing and Yahoo is becoming increasingly important for companies, it can convert into new clients or business opportunities.

Pay per click is a popular advertising technique on the Internet. (Jerkovic, 2009) It involves a company displaying its ads on various search engines, where the company pays the owners of those search engines every time a user clicks on one of their ads. It is a non-intrusive form of advertising. Visitors click on the ads out of genuine interest therefore this form of advertising is said to generate a much better success rate than the traditional pay per impression methods such as banners, or pay per view based advertising. (Drolias, 2007)

When comparing the online advertising channels we have identified: search engine optimization, social media and pay per click. We know that pay per click through channels such as Google AdWords can be relatively easy to implement and in most cases one can achieve immediate results in the form of getting visitors to see your website within minutes. (Jerkovic, 2009) A negative however when comparing pay per click to search engine optimization is that with pay per click you will have to keep paying for each click that visitors make in order to see your website. Therefore search engine optimization is said to bring more long-term value compared to pay per click. (Jerkovic, 2009)

Generally the costs with pay per click are higher than with other online advertising methods, the price depends on what keywords you are bidding on and some can cost as much as \$54 per click (wordstream.com). The reason marketers and business owners are willing to pay these amounts for a single click is that pay per click is targeting on a more niched audience. Also, since pay per click ads are displayed when search engine users search for specific keywords the user is usually already interested in or looking for the product or service that is being offered. This significantly increases the chances that the ad will grab the users interest. (Drolias, 2007)

The immediate results are another benefit of pay per click according to Drolias (2007). Once a company has its ads displayed by the search engine it will start to receive traffic very quickly. Drolias (2007) further argues that this could lead to an increase in sales, as well. All of the extra traffic generated by the ads can and should be monitored and tracked, so a company knows at all times whether this pay per click advertising strategy is working or not. (Drolias, 2007)

The pay per click advertising model has had well documented success. This is also why some of the biggest companies on the Internet are using this model, companies such as: Google, Yahoo, Microsoft, etc. (Jerkovic, 2009)

Problem background

I argue that pay per click advertising could be compared to phone book advertising. Just like with pay per click, phone book ads appear in direct context to what the person was looking for. Think about it, if you were looking in the phone book for a lawyer you would hardly be interested in plumbing services. This is also true for the search engines, if you are looking for a lawyer and you see ads popping about plumbing services you would most likely not be very interested.

The current leader in the pay per click space is Google AdWords (Jerkovic, 2009) and when going to the front page of Google AdWords one is presented with testimonials of small businesses having huge success by buying traffic from Google. The platform is in a sense presented out to be an efficient and cost effective way for small businesses to acquire new customers. If a business sees that there is little or no traffic coming to their site they could be entertained to the possibility of using a pay per click platform such as Google AdWords to give them an extra traffic boost. The question arises whether it really is as easy as just firing up a campaign?

The success of an ad campaign is measured by calculating the *ROI* return of investment (Jerkovic, 2011). The respected search engine marketing community SEOMoz has made a list with key factors that they argue are required in order to run a successful pay per click campaign, some of them include:

Bidding Narrow - Its important to target highly relevant keywords and keeping them narrow. The more one focuses on “long tail keywords” the less you are going to pay per click. The ads will also be more likely to be a close match to your landing page and therefore be more relevant.

Geo-targeting - Staying local will help you sell - people are usually more keen on using a local provider.

Tracking - One of the big benefits of advertising online is that you have the possibility to track exactly what is going on. What keyword converted to a lead, what keywords get the most traffic, which ones you should ditch.

Dynamic keywords - Using keywords within your ad copy will help you to stay relevant to the searches where your ad will show up. It can help to increase CTR.

Spit testing (A/B testing) - Split-testing in order to find the highest converting ad copy and landing page is crucial in order to achieve a positive ROI.

As Jerkovic (2011) argued pay per click can be relatively easy to implement and one can see visitors within minutes. However, looking at the required steps above it seems to require a certain understanding in order for one to be successful. As with all marketing communication efforts the purpose is to maximize profits by changing or building consumer associations (Mårtenson, 2009). Mårtenson (2009) further argues that a segmentation of the market should lie out a foundation for the choice of target audience. This is just as true for offline advertising as it is for online advertising. When a company is trying to locate their target audience using search engines they will find that instead of entering demographic data they are bidding on keywords that they know their target audience is searching for. Therefore it can be argued that in order to find a desired target audience on the search engines one should conduct keyword research. Jerkovic (2011) argues that keyword research is the process of gathering relevant keywords for a specific niche.

In order to make the most out of a set marketing budget one will want to base decisions upon statistics. A marketing budget should ideally be spent buying media, which is statistically proven to bring in new customers. (Mårtenson, 2009) Again, this is true for both online and offline advertising. According to Jerkovic (2011) the beauty of online advertising are the tracking possibilities that it offers. With pay per click advertising a company can track exactly what keywords are generating leads, and which ones that don't. Then simply eliminate the keywords that don't bring in leads. However, in order to take advantage of these tracking possibilities it requires companies to understand and use them.

My notion prior to conducting my study is that companies who manage their own campaigns are more likely to not be aware of the key factors mentioned above, which I believe leads them to be less successful. I don't think that companies are applying traditional marketing theories when planning their campaigns. Furthermore I think that the data will show that most of the companies are not using the benefits such as tracking, split testing, etc. when advertising with pay per click. Which according to SEOmoz are required in order to be successful at pay per click marketing.

My notions are based on my own experience of having worked with pay per click for just about three years; in that time I have run campaigns to promote my own products as well as helped companies manage their campaigns. During that time I realized that many of the companies that I worked with had very little knowledge of what is actually going on with their ads. Nonetheless they still pay for each and every click, somewhere hoping or believing that the ads are generating leads or conversions. So my premise on how Swedish companies are working with their pay per click advertisement is based on my own experience and observations.

Purpose

The purpose of this study is to research how Swedish companies are using pay per click in their marketing communications.

Research questions

My research questions are based upon the success factors that SEOMoz names as well as my own experiences having worked with pay per click advertising. Therefore in order to get an understanding of how pay per click is being used in Swedish companies my research questions become the following:

Main question

- How are Swedish companies using pay per click?

Sub questions

- Are keywords being researched before being bid on?
- Are custom landing pages being used?
- Is tracking implemented to see what is converting and what is not?
- Is dynamic keyword insertion being used within ad copies?

Limitations

My study will be limited on researching how companies in Sweden are using pay per click. There are many pay per click platforms such as Adcenter, 7search, ask.com, Miva, etc. In this study I will focus on Google AdWords. Google AdWords is the largest pay per click platform and offers the widest reach; they are controlling around 80% of the global search audience (Jerkovic, 2009). Note that I will not go into depth regarding technically advanced subjects such as: implementation, bid management, quality score, etc.

Vocabulary	
Search engine	A search engine is a program that is designed to search and store information from the Internet. That data is then generally presented to users in the form of a searchable list and the results are usually referred to as search engine results. (Jerkovic, 2009)
Search engine marketing	Collective term for online marketing activities such as, search engine optimization, pay per click advertising and social media. (Jerkovic, 2009)
Pay per click (PPC)	Pay per click is an advertising model where an advertiser pays a publisher for each click that an ad generates. (Drolias, 2007)
Traffic	Traffic refers to the amount of clicks that are generated to a webpage. (Drolias, 2007)
Geo-targeting	Is used to have ads only appear to users who live in selected locations. (Jerkovic, 2009)
Impressions	Refers to the amount of people that have seen an ad.
Click through rate (CTR)	The click through rate tells an advertiser in percent how many of the people who have seen an ad actually clicked. CTR is calculated with the following formula: $CTR = (Clicks / Impressions) \times 100$ (Drolias, 2007)
Ad copy	The ad creative used within the ad and consists of a title (25 characters), a description (70 characters) and a display address, which tells the searchers where they land after clicking the ad. (Lee, 2009)

Methodology

In the following chapter I will discuss the method I have chosen to use. I describe my method implementation and argue for the credibility of my study. Finally I discuss the pros and cons of my method.

This study is based on a digital survey that was live during 16th - 30th of April 2012. The respondents consisted of Swedish companies who were bidding for different keywords on Google AdWords during March 2012.

Qualitative vs. Quantitative

Qualitative data deals with descriptions; the data is observed and not measured. The goal with qualitative data is to gain an understanding of underlying reasons and motivations. It helps provide insights into the setting of a given problem. Quantitative data on the other hand deals with numbers and is data that can be measured. As opposed to gaining an understanding of underlying reasons, qualitative data is used to generalize results and can help a researcher to measure various views and opinions. (Bryman, 2002) I saw an advantage by using a quantitative approach when looking to study Swedish companies relationships to pay per click. I was looking to cover as much ground as possible and wanted to measure the views and opinions of a large group of Swedish companies who use AdWords.

Data collection

The data collection was based upon a digital survey that was being sent to respondents who were using pay per click in their marketing communication. Collecting empirical data by using a digital survey is an effective method to collect large amounts of data, it also allows for flexibility when examining the data collected. It is also time effective due to the fact that it can be sent out to many respondents at once. (Bryman, 2002)

I believed that respondents who were using pay per click in their communication were familiar with technology and Internet, so they should have no problems interpreting and understanding the digital survey format.

Google is the largest pay per click platform in the world (Jerkovic, 2009). I was therefore using Google when searching for Swedish companies who were advertising with pay per click at the time. To find respondents I searched for different keywords related to the chosen industries and gathered the email addresses of companies who were buying traffic on the given keywords. Once I had gathered my list I emailed the respondents my survey through Google Docs.

Primary data

The primary data collected for this study is of quantitative nature and derives from the digital survey that was emailed to my respondents. This data will build the foundation for my analysis and is presented in its entirety along with an analysis in chapter 4.

Secondary data

Secondary data sources have been used in order to make the analysis and result as relevant and representative as possible. Secondary data sources consist of data collected from various sources such as, previous research, academic articles and literature (Eliasson, 2010).

The secondary data consists of previous research where I choose to use SEMPO:s report consisting of a global survey as well as the institute for advertising- and Media statistics (IRM) report. The community SEOmoz was also used as a source to gather more data about search engine marketing. Some sources consist of various blogs who are writing about search engine marketing and should therefore be viewed critically.

Further it should be noted that the given research topic is changing at a rapid pace and literature is not always up to date. I took this into consideration when choosing the theories that have been used.

Selection

When using a quantitative approach it is preferred to randomly select respondents in order to get an as representative result as possible. (Eliasson, 2010) As previously mentioned I chose to focus on seven industries, those industries were selected from eniro.se which is a popular Swedish search engine, I chose to use the seven most searched industries that Eniro displayed on their business listing. The industries that are being displayed on Eniro are out of my control; Eniro displays the top seven industries with the highest search volume. When going to Eniro on the 5th of March 2012 the top seven industries listed were; Dentists, Hairdressers, Health clinics, Used car lots, Car tire shops, Banks and Insurance companies.

When choosing what companies within these industries to contact I was limited mainly by one factor - time. Google AdWords does not provide a list of keywords companies are bidding on, so this work had to be done manually. To gather relevant keywords I used the Google Keyword Tool, a tool provided by Google which lets users search for relevant keywords related to an industry (support.google.com). When entering a search string in Google's Keyword tool you'll get three different results; Related searches, competition rate and monthly search volume. I looked for keywords and search strings, which displayed a *medium* to *high* competition rate. Using Google's Swedish search engine I then located and found companies bidding on these keywords. Those companies, which had publicly available contact information, including an email address were then included in my study.

I argue that many instances of the steps above are random, such as; which industries that Eniro displayed at the day of my visit, what companies were currently bidding on the searched keywords and what keywords the Google Keyword Tool gave me. I would therefore argue that my selection of respondents was in fact random.

Structure

The survey started off with an introduction text, which has the purpose of explaining the structure and purpose. An introduction text is recommended in the beginning of a survey and should also clearly state if the survey is anonymous (Troost, 2007). Eliasson (2010) argues that in order to create a successful survey it should follow a clear structure.

The survey (Attachment 1) consists of 11 questions. When writing the questions I was thoughtful with my choice of language to make sure that everyone would understand what was being asked, therefore some terminology has been simplified. Further I chose to use Swedish as the language, this felt like the given choice, as the respondents were all Swedish companies. The Swedish questions have then been translated into English for the presentation of this study, but can be seen in its original state in attachment 1.

When choosing what types of questions to ask I had two choices; I could chose to ask open questions that would let the respondents fill out their own answers or I could chose to ask closed questions which would give the respondents a set of pre-made answers to choose from. When asking open questions one can get new ideas and other “new information” (Eliasson, 2010). The negative is that the data can be hard to process and manage from an analytical perspective. I therefore chose to use closed questions in order to be able to process, manage and analyze the collected data.

The survey was then created in Google Docs that has a tool that allows users to create online forms. It allowed me to create a visually appealing and user-friendly survey. Google Docs also has additional features that allow making certain questions required in order for the respondent to continue. (support.google.com)

Implementation

Using Google Docs gave me flexibility in my data collection; the platform lets one enter a list of recipients who then receive the survey directly in their inbox. Once a recipient has filled out a survey the data is updated live onto the creators Google account and presented in an excel sheet. Google Docs further has the ability to create graphs based on entered criteria. (support.google.com)

Before sending out the survey I did a test run to a few colleagues in order to ensure that there were no errors or glitches, a few final adjustments were made before sending out the survey to the respondents.

On 2012-04-16 the survey was sent out to 286 respondents. The survey was live until 2012-04-30 and a reminder email was sent out to respondents who hadn't yet answered the survey on 2012-04-23.

Non-response

The selection and non-response rate help determine the reliability of a study. Non-responses consist of a group within the population that has chosen not to take part in the study and therefore become a problem for the reliability of the analysis and conclusions. Kylén (2004) argues that a certain loss and risk of loss is higher when doing a survey based study.

Out of the 286 surveys that were sent out 53 choose to take part in the study; this yielded a non-response rate of 81%. I am aware that a survey sent via email could have a higher non-response rate, and that the population might take a direct mail more serious. Therefore the high non-response could be due to the fact that the survey was sent via email rather than direct mail. Groves et al. (2009) also argues that with email one can expect a higher non-response rate than with direct mail. A reminder email was sent out to the respondents who had not yet answered by 2012-04-23.

Criticism of sources

Given the nature of the research topic some sources such as industry magazines and blogs have been used, these sources should therefore be viewed critically. It should also be said that most of the secondary sources are not from Sweden, it is important to indicate the fact since conditions may or may not be different on the Swedish marketplace. Another source that has been used is the SEOmoz community; I personally consider them to be the number one source when it comes to search engine marketing.

“In addition to great tool sets, the SEOmoz community offers respected insights

into SEO strategies, algorithm updates, and other industry news.”

(Charters, 2011)

Rand Fishkin is the CEO and co-founder of SEOMoz and was in 2009 named among the 30 Best Young Tech Entrepreneurs under 30 by BusinessWeek. Fishkin has spoken at dozens of shows around the world and been written about in Newsweek, New York Times and Seattle Times, among others. I would therefore argue that the secondary data gathered from SEOMoz should be considered to have high value and be viewed as credible.

I further want to point out that the theories used in this study are traditional marketing and strategic communication theories that I have applied within an online context.

Analysis approach

The answers were exported out of Google Docs into an excel sheet where I then created graphs from the data. I choose to use percentages graphs because I believe it helps to give the reader and researcher a quick overview of the collected data. My results were then compared to the success factors that SEOMoz mention and then with the theories. I further compared my results to similar studies such as SEMPO and McKinsey.

Reliability and validity

Attention should further be placed on evaluating and analyzing the accuracy of the data obtained. A studies quality and credibility can be discussed in terms of reliability and validity. Reliability involves the accuracy of data and if reliable results have been achieved (Kylén, 2004). Validity refers to the value and relevance of collected data and is about whether the survey measures what was intended and if measurements were actually relevant to the problem formulation. Therefore it can be argued that the higher reliability that a study has, the better the premise of high validity. (Eliasson, 2010) Issues relating to validity and reliability can be addressed by attention to the process on how the collection, analysis and interpretation have been carried out. It should be noted that the survey was anonymous and that no respondent was able to see any competitor's answers.

Kylén (2004) argues that the risk of high non-responses is greater when doing a survey

based study and that the reliability is dependent on the non-responses. It would have been desirable if the dropouts had been considerably less to enhance the reliability. However I believe that the study of participating companies should be viewed as reliable. Thorough preparatory work was conducted to prevent a high amount of dropouts, the survey was sent to a test group prior to sending it to the respondents in order to increase the reliability. By sending the survey to a selected test group I was able to ensure that the respondents would understand the questions that were being asked. Kylén (2004) argues that by sending out a survey to a selected test group one can ensure certain stability.

Method discussion

I believe that even though the high non-response rate I have managed to achieve my main purpose with my method. Of course it would have been desirable with a lower non-response rate but I do not believe that the results would have been much different even if more respondents had chosen to take part in my study. The high non-response rate could be due to the fact that I chose to email the survey rather than use direct mail. Or maybe the response rate would have been higher if I had emailed them asking if they were interested in taking part in a study about Google AdWords previous to sending my survey. However, since Google does not give out lists of which companies that are bidding on certain keywords I had to gather that data manually. Because of all the manual work that was involved in gathering the companies I had no other choice than to go with an email based survey.

The survey was created in Google Docs and was sent to the 286 respondents that I had gathered from Google.se. A reminder email was sent out on 2012-04-30 to respondents who had not yet taken part in the study. I do believe that the data gathered should be viewed as a trustworthy representation of how companies are using pay per click in Sweden. Other global studies such as SEMPO and McKinsey are showing similar results. Even though those studies are not directly focused on the Swedish marketplace one I was able to see similarities in the data. The data also meshes with my own previous experiences and observations.

Theoretical framework

In the following chapter I present theories that are relevant to my study. The theories will together with the empirical data form the basis for my analysis.

Strategic communication

A foundation for every business is the need to communicate internally as well as with its public, this is the knowledge that has lead us to form the concept of strategic communication. (Falkheimer, 2001)

A known and often used definition when speaking about strategic communication is the following:

“Strategic communication includes management, planning and implementation of reflexive and critical communication processes and activities in relation to both different audiences, stakeholders and audiences, and society as publicity, with a view to achieving overall organizational business objectives.”

(Falkheimer & Heide, 2007)

The definition tells us that there are many different fields which are connected to strategic communication; marketing, organizational communication and public relations. It further tells us that these fields have to work in symbiosis with each other in order for an organization to meet its business objectives. As the definition of strategic communication demonstrates, it is characterized by the fact that it is planned and has stated goals; with the help of strategic communication these goals can be met (Falkheimer, 2001). Falkheimer (2001) argues that in an international context strategic communication is often used as a synonym to public relations.

Strategic communication is said to consist of internal and external communication and both are dependent on each other. The internal communication concerns information that flows throughout the organization and the external communication involves the organizations relationships with its environment. They both depend on each other and a condition for the external communication to work is that all people inside of the organization are aware of the externals communications message and goals. (Falkheimer, 2001)

IMC and Marketing communications

Communication concerns the exchange of information, ideas or feelings and it can be argued that developing a communication strategy requires extensive learning as well as coordination (Kitchen & De Pelsmacker, 2004). All communicational functions when marketing a product is collectively called marketing communications and its main purpose is to add persuasive value to a product or services. The marketing communications mix consists of advertising, public relations, sales promotion, direct marketing, sponsorship, personal selling and Internet marketing. (Kitchen & De Pelsmacker, 2004) Each component in the mix plays its own important role when wanting to market a product or service. Kitchen & De Pelsmacker (2004) argue that each component can be greatly enhanced if combined and reinforced by other tools in the mix.

A definition of IMC according to the American Association of Advertising Agencies:

“A concept of marketing communications planning that recognizes the added value of a comprehensive plan that evaluates the strategic roles of a variety of communications disciplines (for example, general advertising, direct response, sales promotion, and public relations) and combines these disciplines to provide clarity, consistency, and maximum communications impact.”

(Kitchen & De Pelsmacker, 2004)

According to Fill (2006) there is no universal definition of marketing communications and argues that there are many interpretations of the subject. Kitchen & De Pelsmacker (2004) argue that all definitions that can be found include at least five elements:

1. The aim to affect behavior through direct communication.
2. The IMC process should start with the customer or prospect and then work backwards to the brand communicator.
3. IMC should use all forms of communication and all sources of brand or company contacts as prospective message delivery channels.
4. The need for synergy, with coordination helping to achieve a strong brand image.
5. The need to build or strengthen brand relationships.

(Kitchen & De Pelsmacker, 2004)

According to Schultz and Kitchen (2000) there are four stages of IMC, starting with *tactical coordination of promotional elements, redefining the scope of marketing communications, application of information technology, to financial and strategic integration*. Schultz and Kitchen (2000) argue that based on their empirical findings there are very few companies that ever reach stage 3 or 4, most companies are anchored in stage 1 and 2.

Kitchen and De Pelsmacker (2004) argue that the weakness of IMC is that it requires companies to invest resources in the marketing and communication process. If companies should not invest, they might find themselves anchored at stage 1 or stage 2, in that case IMC will indeed have made a contribution, but it is not one of a strategic nature. It is instead tactical. Kitchen and De Pelsmacker (2004) claim that communication has to move from tactics to strategy. Only strategically oriented integrated brand communications can help businesses move forward in the highly competitive world of the twenty-first century (Kitchen & De Pelsmacker, 2004). Kitchen and De Pelsmacker (2004) further claim that only if communicational and economical resources are invested and measured against actual customer behavior, first then financial returns be achieved.

Traditional marketing

Marketing is more than just wanting to sell a product or service, companies need to satisfy the needs of their customers and that process start long before the product or service is even born. (Kotler, 2009) Kotler (2009) argues that marketing is about building long-term relationships with satisfied customers and that is what he claims companies should be focusing on. Building relationships in the long run will be more cost effective than constantly having to acquire new customers.

One of the most known tools when speaking about traditional marketing is Jerome McCarthy's 4P's, Product, Price, Place and Promotion. Kotler claims that by using these four tools a company can better control how they are being displayed out in the public. (Kotler, 2009)

Not everyone agrees that one can fully apply the 4Ps when speaking about online marketing. Grönroos (1997) argues that there are certain weaknesses when putting the 4Ps in an online context. The main problem Grönroos writes about is the lack of an interactive element; Grönroos means that the interactive element is what defines online marketing. Another problem that is being taken up is that in the real world the 4P's are separated from one another, online they are in fact heavily integrated and displayed in the form of a companies website.

Segmentation and targeting

A marketplace consists of buyers whom differ in certain ways; regarding things they want, their resources, locations or buying attitudes. Applying market segmentation allows companies to divide these marketplaces into smaller segments that can be reached more efficiently with products or services that speak to their specific needs. (Kotler, 2009)

Uses and gratifications

The central question that uses and gratifications research strives to answer is: *what do viewers do with the media?* It is seeking to understand why an audience is actively seeking out specific content for gratification. The theory assumes that an audience is taking an active role when interacting with media, and claims that audiences seek out media that meet their own needs. Uses and gratifications research has its roots in social psychology and has concentrated on the micro and mezzo level of the individual psychological and social psychological. (Lorimer & Scannell, 1994)

In the beginning this approach was more attentive to audience variables that is, the orientations and interpretations the audience brought to its selection of media content. Recently the work has focused more on never ending spirals of uses and effects. Where audience members look to the media for certain information. (Lorimer & Scannell, 1994)

McKinsey: How poor metrics undermine digital marketing

In June of 2008 three employees at the consultant firm McKinsey conducted a study. In the study they asked 340 respondents how they track and measure results in their digital marketing campaigns. The respondents were all different marketing executives in public companies in Asia, North America, Europe and Latin America. The results showed that only half of the respondents were even measuring any results at all, and the only measurement that they were using was CTR (Click through rate) (Bughin et al, 2008). The same study found that 80% of the companies asked allocate their marketing budgets across different media arbitrarily or simply repeat what they did last year.

Theory discussion

As seen in the introduction we now know that there are certain components that according to SEOMoz should be included in a successful campaign. The selected theories help to give an understanding of the concepts behind those components. We can see how pay per click is influenced by different components within strategic communications; marketing and public relations. And depending on the goal of the organization, the tools may contribute to the dissemination of information and also strengthen the brand itself. The goal provides the conditions for choice of strategic approach and methods for successful efforts.

Empirical data & Analysis

The following chapter presents the primary data from the survey, which is then followed by an analysis.

A total of 53 Swedish companies took part in the survey, these were companies from the following industries: Dentists, Hairdressers, Health clinics, Used car lots, Car tire shops, Banks and Insurance companies. It should be noted that all participating companies are managing their pay per click campaigns internally.

Empirical data: Company profiles

Figure 1: Use of Internet marketing

The figure shows the percentage of participants that are using pay per click and combining it with either search engine optimization, social media or both. 79% use search engine optimization and 49% social media along side with their pay per click ads.

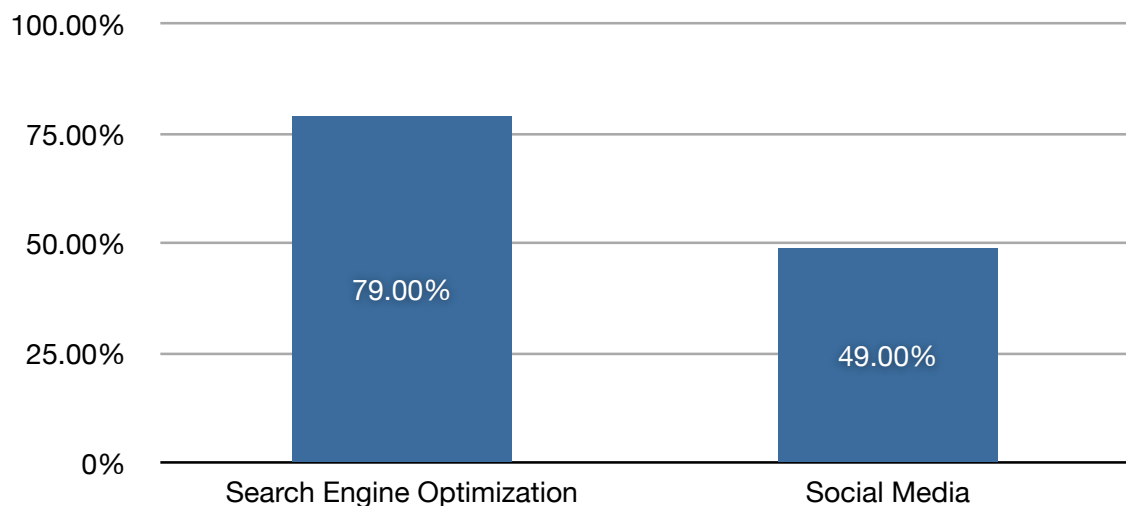


Figure 2: Active markets

The following figure shows in what regions the participating companies are active. In the figure we can see that 75% are active in Sweden, 21% in the Nordic region and 4% in Europe.

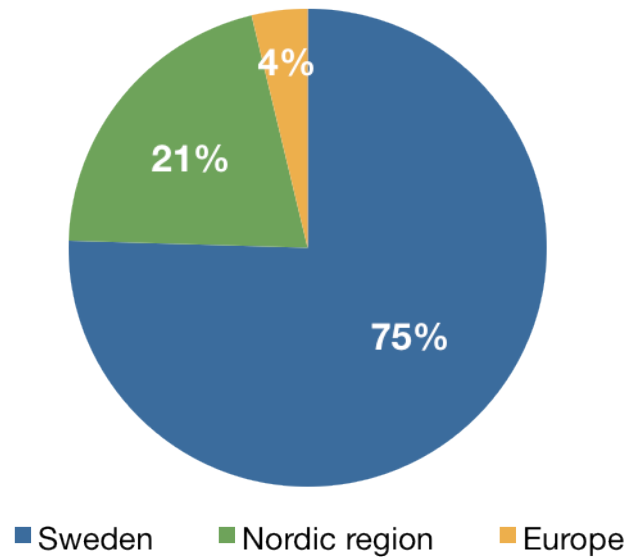


Figure 3: Yearly pay per click ad spend

Figure 3 shows how much the participants are spending on pay per click per year in Swedish crowns. 77% are spending between 0 - 5000, 11% spend 5001 - 10 000, 4% spend 10 001 - 25 000 and 8% of the respondents are spending 25 001 - 50 000 per year.

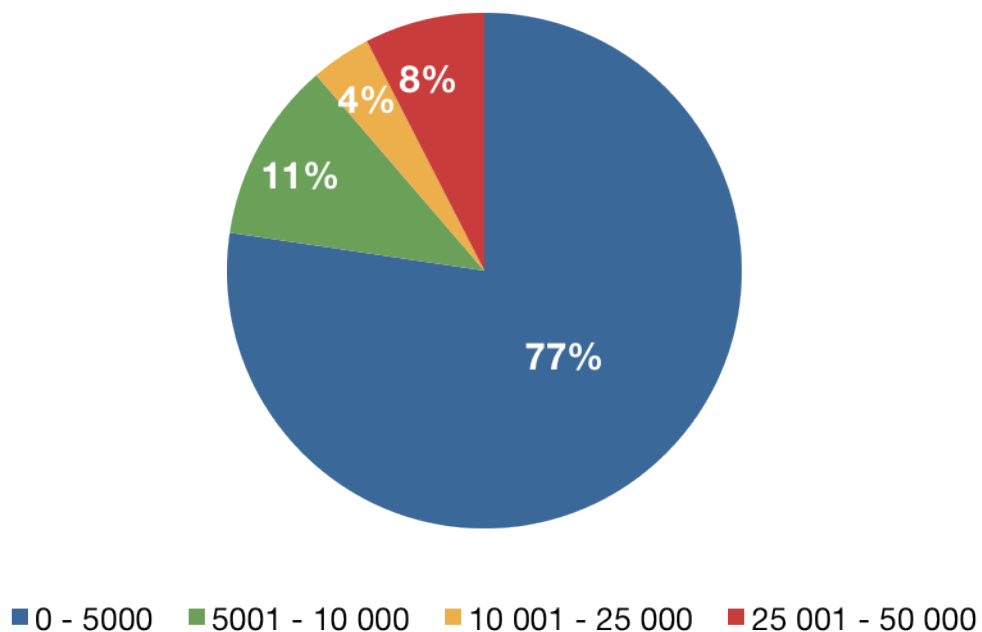
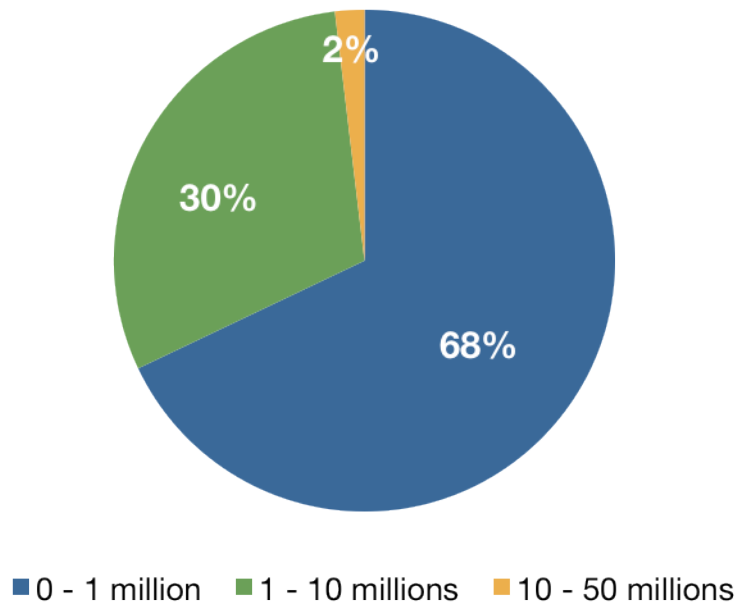


Figure 4: Annual turnover

This figure shows the participating companies annual turnover in Swedish crowns. In the figure we can see that 68% are turning over 0 - 1 million, 30% are turning over 1 - 10 millions and 2% are turning over 10 - 50 millions.



Analysis: Company profiles

Kotler (2009) stated that online marketing is the fastest-growing form of direct marketing. One could therefore argue that companies today should adapt to a more digitalized context. The study shows the fact that participating respondents have understood the importance of communicating through the Internet and that the respondents are active in all three areas of search engine marketing. The collected data shows that 79% of pay per click users also use search engine optimization and that 49% use social media. 75% of the respondents that choose to participate were active in Sweden, 21% were active in the Nordic region and 4% in Europe. The data further shows that participating companies were mostly smaller sized companies with an annual turnover of 0 - 1 million Swedish crowns who spend between 0 and 5000 SEK per year on pay per click advertisement.

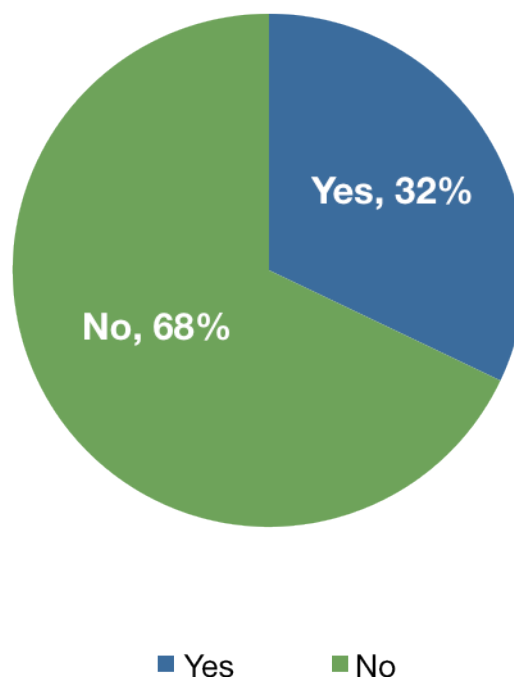
As previously discussed search engine marketing is divided into three components, pay per click, search engine optimization and social media. The collected data shows that participants have understood the importance of combining the components and do not only focus on one. As Kitchen & De Pelsmacker (2004) argued, each component can be greatly enhanced if combined and reinforced by other tools in the mix.

Pay per click marketing is a way to communicate with people online. How ad copies and landing pages are formulated will represent a company's brand to the visitors. It is therefore important for companies to think carefully and strategically about what one wants to communicate. As seen in the definition given about strategic communication, it consists of many different components such as marketing, organization communication and public relations (Falkheimer, 2001). I believe it can be argued that one needs to think carefully about each of these components when exposing ones brand to the public. According to Falkheimer (2001) there should also ideally be a common understanding internally within the company of what it wants to communicate.

Empirical data: Keywords and Segmentation

Figure 5: Use of keyword research

The following figure shows how many percent of the respondents are doing a comprehensive keyword research prior to bidding on keywords. We can see that 68% are not doing a comprehensive keyword research and that 32% are doing it.



Analysis: Keywords and Segmentation

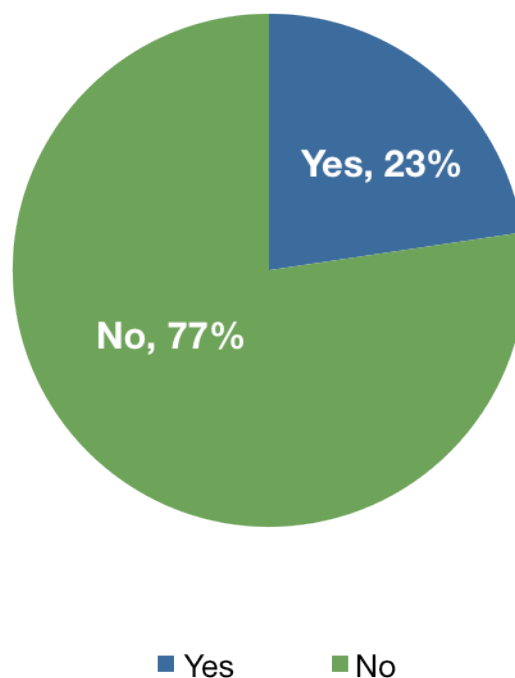
Mårtenson (2009) argued that the segmentation of a market should lie out a foundation for the choice of target audience. Kotler (2009) also stresses the importance of segmenting the marketplace into smaller segments that then can be reached more effectively and efficiently. We can come to the conclusion that segmenting in order to find the “right” type of potential buyers is an important step in the process of acquiring new customers. As previously argued, this online process could be referred to as; Keyword research. This is also something that SEOMoz also stresses as an important factor when advertising with pay per click. The collected data shows that 68% don’t do a comprehensive keyword research before starting to pay for traffic.

Empirical data: Custom landing pages

Figure 6: Use of custom landing pages

The figure shows how many percent of the respondents utilize custom landing pages.

The data shows that 77% don’t use custom landing pages and that 23% do.



Analysis: Custom landing pages

The landing pages are where the visitors will land after clicking the ads on Google, depending on what ad has been clicked the pay per click marketer has the ability to send a visitor to specified landing pages for a specific keyword. This way the transition from ad to landing page will be more seamless and could have an impact on the conversion rate. The use of custom landing pages and then split-testing them against each other is an aspect that SEOMoz highlights as important, this way the marketer has a chance of finding out what is converting and what is not converting.

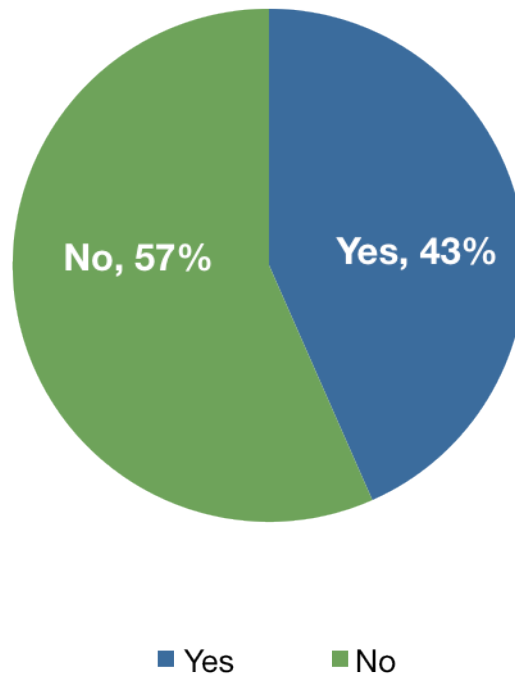
The purpose of marketing communications is to add persuasive value to a product or service for customers (Kitchen & De Pelsmacker, 2004) and when speaking about pay per click advertising the ad copy and landing page is were one has the possibility to communicate that persuasive value. It should therefore be viewed as important to find a combination of keywords, ad copies and landing pages used in order for the visitor to feel a seamless integration. Like Kitchen & De Pelsmacker (2004) argued, having synergy can further be used to achieve a strong brand image.

The collected data shows that very few participants utilize custom landing pages. This could be due to the technical challenges or a lack of communication strategies. It could also be because companies might find themselves anchored within stage one or two out of the four IMC stages. Schultz and Kitchen (2000) empirical findings revealed that very few companies reach the third stage of IMC, which is the application of information technology, and the fourth stage, which is *financial and strategic integration*.

Empirical data: Tracking

Figure 7: Use of tracking

The next figure shows how many percent of the respondents use tracking in order to find out what keywords are generating leads and/or conversions. The data shows that 57% don't use tracking and that 43% do use tracking.



Analysis: Tracking

Drolias (2007) argues that all traffic generated by ads should be monitored and tracked so that the company knows if their current strategy is working or not. Kitchen and De Pelsmacker (2004) also stress the importance of measuring communicational and economical resources against actual customer behavior, and state that no financial returns can be achieved before measurement is implemented. SEOMoz further highlight the benefits of using tracking when advertising online and argue that tracking what keywords convert to leads is important when advertising with pay per click.

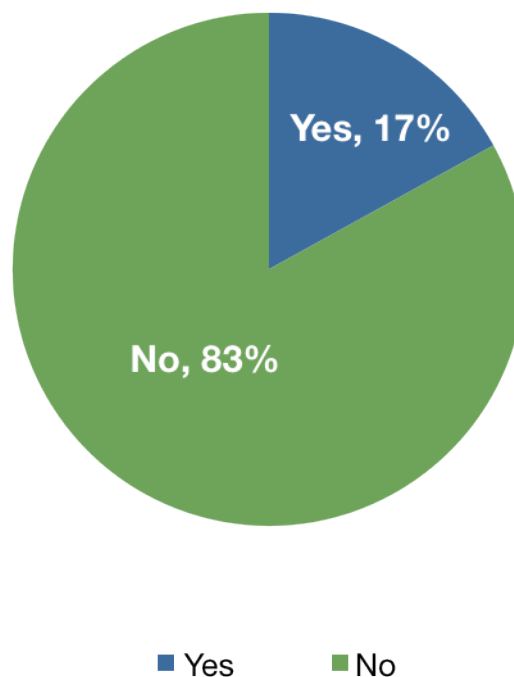
The study shows that most of the respondents don't track or measure their results. Essentially this means that most of the respondents aren't actually able to know what keywords they are bidding on that are generating leads, if any. Therefore they could be buying some traffic that is not bringing them any value.

In the McKinsey study they asked 340 respondents how they track and measure results in their online advertising campaigns. Their respondents were marketing executives in Asia, North America, Europe and Latin America and revealed findings similar to mine. McKinsey's results showed that half of the respondents were not tracking or measuring any results at all.

Empirical data: Dynamic keyword insertion

Figure 8: Use of dynamic keyword insertion

The figure shows how many of the respondents use the dynamic keyword insertion feature within Google AdWords. 83% do not use the feature and 17% do.



Analysis: Dynamic keyword insertion

Dynamic keyword insertion is a feature in Google AdWords and other pay per click platforms that will update an ad copy to include one of the keywords that matches a customer's search term. (Jerkovic, 2009) Essentially the feature allows a company to have its ads appear differently to customers depending on their search terms and will make the ads appear more relevant and useful. One could argue that the use of dynamic keyword insertion would further give the searching customer gratification – as it will be more

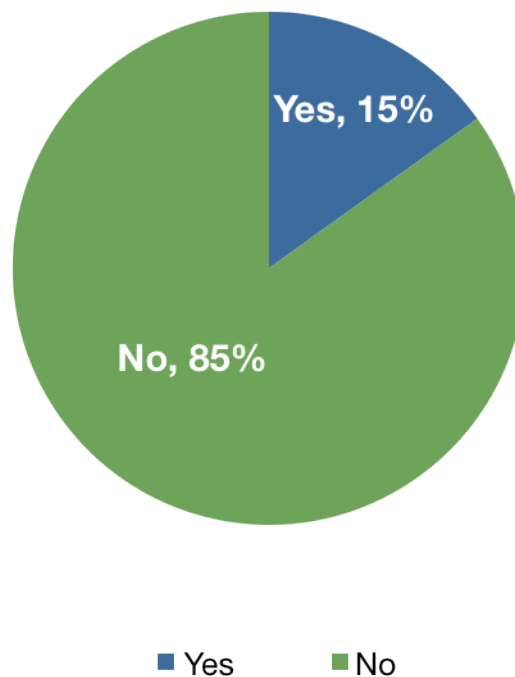
targeted to the search that was made by the user. Lorimer and Scannell (1994) argue that uses and gratifications theory states that customers actively seek content for gratification purposes. The theory further argues that customers are goal oriented in their behavior and that they are aware of their needs and select media to gratify those needs (Lorimer & Scannell, 1994).

We can see how the use of dynamic keywords within ad copies could in fact be an important component to running successful campaigns. This is something that SEOMoz further enhance by naming dynamic keyword insertion as a key factor to success when doing pay per click advertising. The collected data shows that 17% of the respondents uses dynamic keyword insertion.

Empirical data: Split-testing

Figure 9: Use of split-testing

The following figure shows how many percent of the respondents use the split-testing feature within Google AdWords.



Analysis: Split-testing

According to SEOMoz split testing can make the difference between a non-profitable campaign and a profitable one. It can also make the different between a profitable campaign and an extremely profitable one. Think of it this way; if you were to advertise in the local newspaper letting people know about your products or services and you would have the possibility of having your ad rotate in the paper, to test between two or three different ad copies. You would then get information on which of these ads is giving you the highest response rate. Would you make use of that possibility? I'm sure most people would.

Again it might be due to technical challenges or simply because the companies don't know the feature is there that they are not making use of this feature.

Conclusions

In this final chapter I present my conclusions. I provide a discussion around the main purpose and selected study questions.

The purpose with this study has been to find out how Swedish companies are using pay per click advertisement in their marketing communications. The data shows that participating companies have understood the importance of communicating online and that many participating companies combine pay per click with search engine optimization as well as social media.

Creating a web presence in 2012 is difficult and isn't something that can be automated through Google AdWords, and it's difficult to make an impact when working on a limited budget. The most important factor is taking the time to learn, analyze and specify online ad campaigns to fit a business niche. Since I personally believe that the Google AdWords platform has a steep learning curve it's important to take the web platform serious and make sure to dedicate time and effort to get to know the tools and then optimize a proper campaign. This is also where I see big room for improvement for Swedish companies working with Google AdWords. It is easy to get stuck with the perception that all one needs to do is throw up a few keywords, pay for the clicks and see conversions. Just like with most other forms of advertising it can be argued that there is a science behind it.

When analyzing the data collected I get a sense that while the companies in Sweden are adapting to the online market they do not seem to invest enough time or effort into their pay per click campaigns. As the data showed, many of the companies are not tracking any conversions or leads generated from their campaigns. This means that they have no way of knowing if they are losing money, making their investment back or are profitable. The data also shows that many of the companies are not doing a comprehensive keyword research. Not only are these two components listed on SEOMoz's key factors to success, I personally consider them to be crucial in order to stand a chance when making any campaign with pay per click profitable. In offline advertising I imagine that most business owners know that in order to make an investment back from advertising one needs to know who to target and how to find those people. This does not seem to be the case with online advertising and specifically pay per click, at least not when looking at the collected data.

When looking at the use of custom landing pages we can see that most of the respondents do not use any. The same goes for dynamic keyword insertion. Although I believe that these two components are not as necessary as the rest they should still not be overlooked. Again the low percentage of use might be due to technical know-how or simply that the respondents don't know that these features exist.

We have now seen a clear pattern of how most of the respondents do not use keyword research, tracking, custom landing pages or dynamic keyword insertion. This shows that most of the respondents do not use pay per click properly; I believe that essentially they are throwing some money at it, hoping that something will stick.

If a company wants to get serious with online marketing and pay per click specifically I believe that they should first read up on Google AdWords in general to get an overview of what is happening when one is buying clicks. Then read up on keyword research and implementation of tracking. I would argue that with these two components and some optimization (removing keywords that do not convert) one is able to get pretty far in terms of profitability and hitting a positive ROI.

Sweden is known to be in the front of digital technology with many innovations such as Spotify and Skype coming from Sweden - We're early adopters and embrace the digital revolution. But there is a sense of naivety when it comes to online marketing and the difficulty of dealing with a tool that has the potential to reach an exact and precise audience. Hopefully our curiosity and willingness will take us to the next level when it comes to web presence, something that could make us an important player in the ever-growing digital world.

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Attachments

Digital survey – Original

Använder ni någon annan marknadsföring på Internet förutom sponsrade länkar?

- Sökmotoroptimering
- Sociala medier

Vart är ni aktiva? *

- Sverige
- Norden
- Europa
- Världen

Hur mycket lägger ni totalt på sponsrade länkar per år? (SEK) *

- 0 - 5000
- 5001 - 10 000
- 10 001 - 25 000
- 25 001 - 50 000
- 50 001 - 100 000
- 100 001 - 500 000
- 500 001 - 1 000 000
- Över 1 miljon

Vad är er årliga omsättning? (SEK) *

- 0 - 1 miljon
- 1 - 10 miljoner
- 10 - 50 miljoner
- 50 - 100 miljoner
- Över 100 miljoner

Frågor kring användet av Google AdWords

Gör ni en omfattande analys av nyckelorden ni bjuder på? *

- Ja
- Nej
- Vet ej

Skickar ni besökare som kommer från sponsrade länkar till speciellt designade landingssidor? *

- Ja
- Nej
- Vet ej

Spårar ni vilka nyckelord som genererar kunder/leads? *

- Ja
- Nej
- Vet ej

Använder ni dynamiska nyckelord i era annonstexter? *

- Ja
- Nej
- Vet ej

Testar ni flera annonstexter och eller landningssidor samtidigt för att se vilken som ger högst konverteringsgrad? *

- Ja
- Nej
- Vet ej

Studerar ni hur era konkurrenter arbetar med sina sponsrade länkar? *

- Ja
- Nej
- Vet ej

Hur ofta loggar ni in på ert konto för att optimera era nyckelord/annonstexter/ etc? *

- 1 gång per dag
- 1 gång i veckan
- 1 gång i månaden
- Mycket sällan

Digital survey – English translated

Do you use any other Internet marketing in addition to pay per click?

- Search engine optimization
- Social media

On what marketplaces are you active? *

- Sweden
- Nordic region
- Eurpoe
- Global

How much do you spend on pay per click advertisement per year? (Swedish crowns) *

- 0 - 5000
- 5001 - 10 000
- 10 001 - 25 000
- 25 001 - 50 000
- 50 001 - 100 000
- 100 001 - 500 000
- 500 001 - 1 000 000
- More than 1 million

What is your annual turnover? (Swedish crowns) *

- 0 - 1 million
- 1 - 10 millions
- 10 - 50 millions
- 50 - 100 millions
- More than 100 millions

Questions about Google AdWords

Do you do a comprehensive analysis of the keywords you bid on? *

- Yes
- No
- Don't know

Do you send visitors to custom landing pages? *

- Yes
- No
- Don't know

Do you track which keywords generate leads/conversions? *

- Yes
- No
- Don't know

Do you use dynamic keywords in your ad copy? *

- Yes
- No
- Don't know

Do you test ad copies and landing pages simultaneously to see which one produces the highest conversion rate? *

- Yes
- No
- Don't know

Do you "spy" on your competitors in order to see how they are working with their pay per click ads? *

- Yes
- No
- Don't know

How often do you log into your account to optimize your keywords / ad copies / etc? *

- Once a day
- Once a week
- Once a month
- Very rarely