

How to Win the AdWords Game.

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1. Introduction

Hi, my name is Konstantin Goudkov.

Currently, I'm an affiliate manager for GenericGifts.com [affiliate program](#).

First of all, let me thank you for downloading this book and answer one question you might be asking yourself right now.

What does being an affiliate manager and using Google AdWords have in common?

Well, it is really simple.

I needed a way to test new creatives and sales pitches before I gave them to my best affiliates.

After considering multiple options, I came to a conclusion that the fastest and the most practical way to do this would be to use pay-per-click engines.

Furthermore, of all PPC engines out there, I picked Google AdWords for my tests.

Here are 4 reasons why:

- You can add/modify your listings almost in real-time (just a few minute delay). With other engines, you have to wait 3 to 5 business days to have your listings approved.
- You can run multiple ads for a single keyword at the same time.
- The ads' positions are determined by a maximum CPC **and** CTR, not just by the maximum CPC alone.
- Google with its partners can provide an enormous amount of traffic quickly for any category imaginable.

For the reason #1, I would like to point out that you do appear on the Google SERPs sponsored links right away, but you still need to wait a few days to appear on its partners' sites. I'll go over the advantages of being shown on the partners' sites later on.

Here is one more reason (probably the most important one) why I use PPC:

You always need to test your new ads, sales letters, and products with the highest quality leads. An offering that produces poor results with good leads will not produce better results with worse leads.

In other words, it is better to fail fast than to drag a poor offering forever.

In my situation, there are only two practical ways to apply this principle to work:

- I could run e-mail campaigns for the past customers (customers who bought more than once and who bought a lot would be even better).
- I could utilize a source of fresh, highly targeted traffic.

One of the most valuable assets of any business is its customer base. Your customer base is not something you want to mess with.

Imagine how high the unsubscribe rate of the list would be if you started running 2-3 test mailings per day for your past customers!

Even if you forget about people who unsubscribe, wasting the time of your customers -- people who trusted you and your offering -- by turning them into test subjects is simply not a nice thing to do. It is a sure way to ruin all your future attempts at the back-end marketing with those who did not unsubscribe.

That leaves the second-best option, using PPC traffic.

A carefully planned PPC campaign can bring highly targeted leads in a short amount of time.

Since I use AdWords for testing, I am on a limited budget. This makes things a lot harder because my tests must be overall profitable. If I waste my budget, I won't be able to test any more.

At the same time, the fact that I'm constantly testing implies that 90% of my efforts result in losses. Since only about 10% of my tests turn out to be profitable, they must generate enough money to cover themselves and to cover all failed tests.

If unlike me, you are planning on using AdWords to its fullest potential, this report might very well save you a lot of time and money.

This report should not be considered a definitive guide in any way. It is simply a description of common patterns in successful tests and techniques that I use.

To get more information, send an e-mail to bcc-books-adwords@aboutrealstuff.com.

Also, visit the [message board](#) I set up for topics discussed in this report. I would be glad to answer your questions and discuss any suggestions.

I thank you once again for downloading this report.

2. Terminology

I use certain terms and abbreviations throughout this report. Below, you can find a brief explanation of each of them.

Please note that some basic understanding of the Internet marketing in general and knowledge of Google AdWords in particular are required in order for the report to make sense.

I include just a short explanation for each one of them, but you should be able to find much more information on the net.

SERP - search engine results page

ROI - return on investment

USP - unique selling proposition

CTR - click-through ratio

CPM - cost per thousand (impressions)

PPC - pay per click

widget - a hypothetical product

conversion ratio - a percentage of leads that perform a desired action (sign-up, sale)

attribute - a specific visual or conceptual element of a page, an ad creative, or a sales letter (used in fine-grained performance comparison testing)

Also, all targeted keywords are written in an italic style.

widgets - a search term

"widgets" - a phrase match

[widgets] - an exact match

All links in this report are underlined.

[link title](#) - external links to outside resources

link title - internal document links

3. The problem

Let's say you have a direct competitor. That competitor is selling the same product at the same price to the same target audience; therefore, both of you are bidding on the same keywords.

The question is: How do you make your advertising campaigns perform better than those of your competitor?

I'm going to skip a lengthy discussion on marketing and sales, but instead I will outline a few factors that make a winner in the AdWords game.

As you go through the list, you will notice that some statements are just derivatives of previous statements combined with some common sense and backed up by testing.

- Your ads need to rank as high as possible on the list; above your competition, if possible.
- You need to pay as little as possible for each click, while ranking high.
- Your targeting must be as strict and narrow as possible.
- You need good ad copy to attract the "right" audience.
- Your ads must have high CTR.
- You need high conversion ratio.
- Your site must sell better than your competitor's site.

Keep those statements in mind while reading the rest of the report. Most of the content in the following sections expands on what I've just listed.

4. Broad matching or exact keyword? - BOTH!

Many people are afraid to miss a portion of the market. They try to be as general as they can afford when picking keywords. Such approach won't get you too far unless you have VC's millions for branding. On a small scale, the best way to compete is with many different specific terms.

All it takes is a few bucks a day!

Here is a basic plan:

- Find a promising keyword.
- Test and track to maximize your profit for this keyword (think conversion and marketing costs).
- Narrow it down and split into multiple keywords if you have to.
- Make this keyword / ad / sales copy combination produce \$10/day of profit after all marketing expenses.
- Wait for the local marketplace for that keyword to settle after your entry.
- Learn and understand what you did and how you did it.
- Rinse and repeat.

That's right. All you need is \$10 per day of profit per keyword.

If you get 10 such keywords, that's \$100/day.

With 100 keywords, that's \$1,000/day!

So how do you find those keywords?

I'll reference a few tools that might help you brainstorm in a section called Finding keywords. For now, let's just talk about the basic idea.

Try to apply the concept of testing page attributes (from the tracking section) to the keyword selection.

You need to find many keywords and put them all in different ad groups of one test campaign. Also, you obviously need different ad copies and tracking / landing URLs for each ad and keyword. Initially, you should set a low CPC and use broad matching (use negatives to limit some obvious terms).

Start testing and tracking once you get some traffic. **If you haven't made any sales yet** then you must check your tracking data for micro-actions. For example, keywords that generate more page-views per unique visitor are more likely to become high-producers once you start optimizing for them.

After you have identified a few keywords that show promising results, start working on them.

Allow me to go over one example.

Let's say you have not made a single sale yet, but you found that an ad for the broad matching keyword *widgets* produces highest number of page-views per unique visitor.

Next thing you should do is look at the tracking data for just this keyword *widgets*.

If you find that people who search for *red widgets* make it deeper into your site, spend more time reading your content, or go farther along your checkout process, you start working on the narrower term *red widgets*.

This becomes your new primary keyword.

You need to place it into a separate ad group with a separate set of ads and tracking URLs (a different URL for each ad copy).

Once you have done that, you need to increase the maximum CPC to get to the position 2 or 3 and let the games begin. From this moment on, you have to keep an eye on your ROI and start optimizing your ads and your site for that particular keyword.

One of your ads must target the exact match [*red widgets*] and nothing else. Using exact match will help your ads get higher CTR, and we know what that means, don't we?

As for the broad and phrase matches, you need to create another ad group for the phrase match "*red widgets*" and the broad match *red widgets*, all while using separate tracking URLs.

Increase your CPC a bit. Your maximum CPC should be higher for the phrase match, but not as high as what you have for the exact match. Don't forget to keep track of the micro-actions.

This becomes the mini-version of your original keyword test. But this time, the base for your new test is the term *red widgets*.

Once you identify the winners here, rinse and repeat.

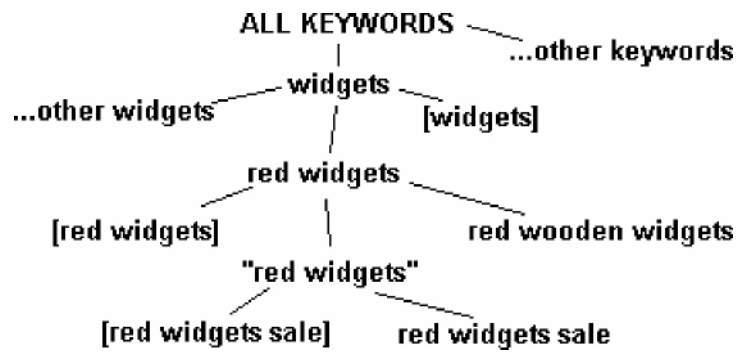
You can look at it as branching with one given path of:

"all initial keywords" > "widgets" > "red widgets" > "red widgets sale" (or whatever red widgets leads you to).

You should keep branching until you either get to a point of being profitable and on top of your competition or until it becomes impractical to spend more time on smaller branches.

Keep in mind, these directions will ruin you if you don't apply some common sense. Many keywords should be promoted without waiting for them to surface in your tracking, while many others should be eliminated without even trying.

Here is a small diagram that might help you understand the idea of keyword branching:



There are circumstances when pushing broad matching alone proves to be more profitable, but don't forget to test and track your advertising efforts so you can base your decisions on a solid data and not on your gut feeling.

5. CTR and CPC

Once you employ testing and tracking principles that I describe in the Tracking macro-actions section, you should be able compete with your conversion ratio. In other words, you will be able to pay more per each click and rank higher on competitive terms, while still making profit.

For now, let's talk about another factor that affects the position of your ads: click-through ratio.

Guys at Google have figured out a smart way to sell their inventory. They only care about cost per impression, be it CPM or any other measurement.

In other words, they don't care about your clicks, yet they want to get the most buck for the served search queries and display relevant offerings.

It might sound a bit counter-intuitive, but bear with me for a minute.

I leave their AdSense service out of this report. You can start by disabling content sites in your AdWords account and later on figure out if you want to advertise on those sites or not.

Anyway, let's get back to the deal with CPC and CTR.

Let's take two ads, one with 5% CTR (ad A) and another one with 1% CTR (ad B).

If the ad A gets 5 clicks per 100 impressions and the ad B gets only one click, Google would charge the owner of the ad B five times more for the same ad position.

Let's look at the numbers.

If the owner of the ad A sets maximum CPC to 20 cents then Google would make \$1 for each 100 impressions (more or less).

$$100 \text{ impressions} * 5\% \text{ CTR} = 5 \text{ clicks} * 20 \text{ cents} = \$1$$

At the same time, Google would have to charge the owner of the ad B one dollar per click just to make the same amount of money.

$$100 \text{ impressions} * 1\% \text{ CTR} = 1 \text{ click} * \$1 = \$1$$

It comes down to the same buck for Google per each 100 queries (impressions).

So if you are the owner of the ad A, you only need to bid 20 cents to get ahead of the ad B.

Does it start to make sense? Sounds good in theory?

In reality, Google does seem to apply a damping factor to its calculations. I have no proof of that, just a gut feeling. So if your CTR is 5 times higher than that of some other ad, your CPC for the same ad position would not be 5 times lower. Still, even if it's just 2 times lower you win big!

Combine lower cost for each click with a higher conversion ratio and you become unbeatable!

Keep on reading to find out how to get and maintain high CTR for your ads.

6. Low cost or high position?

Two words: impulse buying.

When calculating your ROI, don't assume your conversion ratio will stay the same once the position of your ad has changed. Don't even assume that your average order size will stay the same.

Why would you get an order if your ad is nowhere near the top?

Here are a few reasons that come to mind:

1. Your sales pitch and the site layout made the visitor buy.
2. All sites above yours did not offer what the visitor wanted.
3. Other ads did not appeal to the visitor and did not grab his attention.
4. The visitor checked other sites, but your prices were lower.

Well, #1 sounds warm, fuzzy and feeds your ego, but don't kid yourself. There is no way a visitor could have read your perfect sales pitch before he actually clicked on that ad down there, in the no man's land. All your optimization efforts have minimal effect if your ad is not among the top few.

What about #2?

Well, in that case, either the world is full of incompetent marketers or your visitor did not use the anticipated keywords. You should start testing as described in the Broad matching or exact keyword? - BOTH! section. There is a chance that the keyword is a high-producer waiting to be discovered.

If it turns out that the order was an isolated occurrence then don't waste your time with this keyword any longer. You can either take it off or leave it there and hope for more luck again.

Thousands of bottom-feeding keywords that seem to produce overall profit are nothing more than a bunch of ants carrying a piece of food together. While it might seem like they are working together on a common goal, it has been scientifically established that ants just pull the food each in their own direction. What seems to be a result of a great collaboration is actually nothing more than a few ants on one end of the piece being a bit stronger than a few ants on the other end.

What would happen if you removed the ants off the wrong side of the piece of food?

- The piece itself would move in the right direction much faster.

What would happen if you removed half of your deadbeat keywords and spent that money on higher maximum CPC for the other half of your keywords?

- You would make more profit in a shorter period of time.

Reason #3?

Well, congratulations. If that's the case, what is your ad doing down there?

If you can't raise maximum CPC because your ROI would become negative then refine your keywords. Assuming that your site is **optimized**, there is no other logical solution.

And the reason #4.

If you beat your competition with price **and** you got a visitor with an ad at a low position -- congratulations!

You just got yourself one of those price-conscious, value-oriented, hard-core comparison shoppers. Good luck with your future back-end marketing efforts as well as attempts to increase prices to make some real profit next time.

I don't see anything wrong with using a bunch of bottom-feeding keywords, just don't let them stay that way. Try to grow and convert them to high-producing keywords that are worth the time you spend.

Don't forget on more important thing.

Having your ads displayed among the top few makes you highly visible on Google partners' sites. So not only does your reach increase dramatically, but the quality of traffic changes as well.

For example, AOL has much more consumer-oriented audience while the Google site is still utilized more by people who are looking for information.

7. Who is above and who is below

You should always be aware of your ad's neighbors.

Study them and take the information you gather into consideration while writing your ad text or your sales copy. Also, keep them in mind while brainstorming on the unique selling point you want to present for this particular keyword.

For example, if the ads around you point to competitors' sites with similar offers and higher prices then you should press on the price difference. You need to let your visitors know that you offer lower price for the same exact product.

If your neighbors offer slightly different products then you should push the advantages of your particular offering. Your main selling point is to persuade visitors that your product is right for them.

In case you are surrounded by similar products offered at the same or lower prices, try to sell yourself and not so much the product. You should put some testimonials around and try to win the trust of your visitors. Your best bet is to stress the comfort and safety of dealing with you. Instead of talking about the product's features, you should point out your fair return policy, your strict privacy statement, and your fast shipping methods. You need to make those your primary benefits.

In any case, make sure your ads and your sales copy match each other so that the perception of your offer and your company is consistent throughout the whole buying experience.

While doing so, make sure to stand out of the crowd that surrounds you.

One more thing to note about your neighbors:

When do you absolutely have to beat some other ad in ranking?

- When you don't have a unique selling point, your prices are higher, and the ad above you offers the same exact products.

In all other cases, don't rush and test before you make a move on someone's position.

8. Ad copy

Many smart marketers say that title is the most important element of your campaign. The choice of titles can either keep you in business or drive you out of it, be it a sales pitch header, an e-mail subject line, or an AdWords ad.

There are a lot of great books about producing effective titles. I am not going to cover it in great detail. Also, I will not stress the importance of testing here. It should be obvious. The AdWords ad is just a title with a description which acts more like a sub-header.

What differentiates PPC ads from almost any other medium is that you pay per click.

With an e-mail campaign, you need to get as much attention as you can. The same goes for a banner ad paid for on the CPM basis. It holds true for an ad placed in a leased advertising spot for a predefined time period as well.

But with PPC, you don't just want any attention. You want the attention of the right audience.

What further complicates things with AdWords is the fact that you need to balance the amount of attention you generate (which affects the CTR of your ad) and the degree of targeting you apply.

If too few people become interested in clicking on your ad, your CTR will go down and you will start paying more for each of those clicks.

On the other hand, if you generate too many clicks, but the visitors are not really looking to buy, you are simply wasting your money.

With AdWords you have two somewhat independent means of controlling the performance of your marketing campaign: the copy of your ad and the keywords you pick.

Even though it seems intuitive enough to consider both of those factors in the same context, most people still seem to concentrate on one more than the other. Some people consider both of them, but not at the same time.

What you really need to do is match a title that would appeal only to your most targeted audience (while filtering out related niches) with keywords that would most likely be used by that same targeted audience.

The better you match, the better your advertising campaigns perform.

The easiest, although somewhat backward-looking, way to balance these two factors is to produce a strict ad copy that only appeals to your most targeted audience. After that, you need to narrow your keyword down to raise the CTR for the ad as high as you can. You might also have to split the ad in two, three, or more separate ads as a result of your efforts to increase CTR.

If you target the keyword *widgets*, and set your title to "Widgets", you would get high

CTR (assuming you are among the top few ads), but your conversion ratio would be somewhat low.

You could increase your conversion by changing your title to "Buy Widgets", but that would lower your CTR and you would start paying more for each click.

Two things would happen:

- Half of the people who are only looking for information about widgets would go past your ad, which would effectively lower your CTR.
- The other half of the information seekers would still click on your ad out of curiosity, which would cause you to simply lose money.

What if you changed your keyword to *buy widgets*?

That would take care of the CTR and the conversion ratio, but would drop the amount of traffic you receive.

So what?

Find 10 keywords (and 10 ad copies) for: *buy widgets*, *cheap widgets*, etc...

The higher CTR and conversion will let you occupy higher ad positions and that would compensate for the market you've lost by not advertising for simply *widgets*.

If 10 keywords are not enough, find 100! In the end, having 100 highly targeted ads for targeted keywords is much better than having one general ad for a general keyword.

Use the method I described in the Broad matching or exact keyword? - BOTH! section to find those keywords. And by all means, keep running a test campaign for *widgets* to discover new keywords, but don't make it your primary campaign!

Well, that was easy.

Now a slightly harder problem.

What if you have reached the strictest reasonable degree of targeting you can apply to your keywords, but those keywords still seem to be too general?

Let's say you sell silver widgets for \$200+, and you are aware of a huge market for cheap \$20 silver widgets. It would be reasonable to assume that a large portion of people who search for *silver widgets* are looking for those \$20 widgets and would not be interested in buying from you.

Your target keyword is *silver widgets*. You cannot target anything more specific, like *silver widgets for \$200*, because that particular keyword would only bring you literally 2 clicks per year. That's just ridiculous.

Well, go back and do some testing. You'll find a ton of keywords like *quality silver widgets*, *luxury silver widgets*, *expensive silver widgets*, etc. Make them your primary

keywords and dominate that marketplace.

What if that's simply not enough and you absolutely must target *silver widgets*?

Well, the first thing you need to do is change the copy of your landing page for that keyword. It does not have to be the same page you use for any other campaign.

In your copy, acknowledge the existence of the cheaper market and explain the benefits of paying more. I'll just leave it at that. The art of writing persuasive copy is way out of the scope of this report. Just do your best on your side before proceeding any further. Also, don't forget about your ad's neighbors while brainstorming about the copy.

Once you are done adjusting your website copy for that keyword, here comes the tricky part.

Many people will tell you to put something like "...starting at \$200" or some other negative qualifier in your ad copy. They will tell you to do that and hope for the best.

Well, that's nice, but that will lower your CTR and you will pay more for each click.

Don't just limit your traffic and hope for the best, but instead test both ads. Check if your website copy can convince enough of the general widget buyers to go for quality.

Nobody, including yourself, knows in advance which ad copy will affect your bottom line better:

- being more specific in your ad text, having lower CTR, and as a result paying more for each click of presumably more targeted traffic

or

- knowingly attracting a portion of leads somewhat outside of your core target audience, having higher CTR, and paying less for each of those less targeted clicks

So we are back to the importance of having good tracking, that's all.

You would be surprised to see how often negative qualifiers in the ad copy actually decrease ROI (I'm talking only about AdWords advertising here).

Don't leave anything up for chance. You need to test and track no matter how far, deep, or targeted you've gotten.

Once you have established which is the better way to run that campaign for that particular keyword, move on to the next one. All you have to do is be more productive (even by a tiny bit) than your competition. The fact that you are testing and not guessing will help you be more productive, especially if your competition is just guessing.

9. Finding your initial keywords

Here is the list of tools you might want to use while brainstorming for the initial keywords:

Google AdWords Keyword Suggestions

<https://AdWords.google.com/select/main?cmd=KeywordSandbox>

Overture Inventory

<http://inventory.overture.com/d/searchinventory/suggestion/>

Wordtracker

<http://www.wordtracker.com/>

Good Keywords

<http://goodkeywords.com/>

I'm not going to describe them in detail simply because there are already enough references and descriptions of those services on the net.

Besides using those tools, you could also try checking your own past referrer logs. Check which keywords result in conversions and which ones result in higher number of page-views per visitor or more returned visits.

If you are selling widgets, then the most obvious thing would be to research the variations and phrases that contain the word widgets and a verb or an adjective that implies a sale or a purchase or narrows it down closer to your target.

Once you get your list of phrases, start with the ones with the most traffic (according to the Wordtracker and the Overture Inventory).

If you have more time than money, then proceed from the general terms with low maximum CPC to the specific terms with high maximum CPC as described in Broad matching or exact keyword? - BOTH!

If on the other hand, you need some results as soon as possible and you are not afraid to lose some money then pick a few more-or-less targeted phrases and bid as much as it takes to get into position 2 or 3. Once your ads are in place, give it a few days to see the results and proceed according to your tracking data.

10. People who bid too high are stupid ... or not!

When I just started using AdWords, I was really bothered by all those people who seemed to bid way too high and ruin it for everyone else, including themselves.

I mean, how could they possibly pay 75 cents per click on the keyword I target, when I couldn't even pay 40 and produce positive ROI?

Most likely they are just too stupid and are losing money!

Well, guess what?

Some months and thousands of dollars later I realized something.

Not all of them are stupid. On contrary, some of them are really smart.

They know exactly what they are doing. They managed to get high conversion ratios and high CTR, so they are not losing money at all.

High conversions allow them to pay more than I could afford for each click, and high CTR lets them occupy top spots for a much lower cost.

The smart ones are not afraid to lose a general portion of a market in return for a dominance of a targeted portion.

Let's see if we can identify the smart and the stupid for your keyword.

Run a search for "widgets" and note all ads that you see.

This is your competition.

Now try "free widgets" and note which ads have disappeared.

This is the semi-serious part of your competition. They are most likely using broad matching with negative keywords and have enough common sense to block the word "free." You need to watch out for those guys, study their sites, and note their positions over time; they can copy your ideas from you.

For the next step, do a search for "widgets sdfsdklf" (any set of random characters after your keyword).

Those who are still here are either a division of some huge company with millions to spend or some small company that will soon no longer be there. In any case, don't pay too much attention to them.

Those who did disappear are the pros. They are the ones you'll have to battle with. They are the ones you should copy ideas from.

Note the disappeared ads and try to find them in other searches like "buy widgets", "widgets sales", etc.

If you find an ad of a pro for another (more specific) keyword, don't delay and start testing it.

Most likely, it has already been tested and it works.

Study their ads and their sites. Those are the ones you should try to learn from.

11. If you are getting too much traffic, you are doing something wrong

The same can be said about low CTR, but I'll just mention traffic here.

Let me try to explain myself.

- I'm making too much money, I need to limit my income!

Does that sound like something a sane person would say?

Well, if targeted leads mean income, then limiting your leads is pretty much like voluntarily limiting your income.

In other words, if you have to put a daily limit on your production campaigns (I'm not talking about the ones you use for testing) then you are most definitely doing something wrong.

You are either not targeting your traffic well enough or not converting it well enough. Most likely both; unless there are factors like a physical limit to the number of orders you can process.

If you suspect fraudulent clicks by your competitors then track them and report to Google. Do not limit your campaign budget because that will make those low-lives winners and in turn will make you a loser.

If you know of any valid and logical reason to limit a campaign budget, please let me know!

Visit my [message board](#) to discuss topics covered in this report.

12. Do not let your ads get down!

Sometimes, people don't remember where they saw something interesting. Instead, they remember how they got there.

Hasn't it even happen to you? You typed a query into your favorite search engine or followed a link off a site you frequent to find something that interested you.

You looked at that interesting content / product / service for a bit, and then left that site to return to doing whatever it was you were doing.

Some time later, you decided that now would be the appropriate time to evaluate that offering you saw, but you don't remember the address of a site or the name of the company.

So what do you do? You repeat the steps that took you to that site the first time you visited.

Once you see the search engine results or a page with a list of links, you immediately recognize the one you were looking for.

It's like recalling where to turn off some street while driving, once you actually got to that turn and everything started to look familiar.

Back to websites.

Think about the state of mind you are in just as you landed on the target page and realized that was it.

Are you ready to inhale the content and seriously consider the offering?

Do you maybe feel a bit excited about being able to find this resource once again?

Do you, for some strange reason, let your guards down and become more receptive to the information you read on that page?

....

One more question:

How do you feel about losing such lead in that state of mind?

Sucks, doesn't it?

That's what you are doing when you set a low limit on your campaign budget.

The point is:

Once you have found a producing combination of keywords, web copy and ad text - **keep your ad in place no matter what!**

Well, assuming you get positive ROI; otherwise, I would not call it a producing

combination.

I know that I've talked about it in the previous section, but this is just too important and is worth mentioning the second time under different angle.

Not everyone uses bookmarks. Besides, people that do bookmark anything and everything they see usually have too much crap in their Favorites folder to find useful information when they need it.

13. Negative keywords

Negative keywords are a really great feature that can help you limit some unwanted traffic.

The only problem is that a lot of people try to use negative keywords with broad matching as a substitute for narrow phrases or exact matches.

In some cases, doing so might prove more productive. In other cases, broad matching with negatives might be the only way to go. Still, most of the time such campaigns either cost more than produce or they are not as effective as could be.

Let's assume you target broad match *widgets*.

I'll just go over some assumed facts and the most obvious negatives to help you get the feel of it.

If you are actually selling:

- free*
- information*
- compare**
- picture*
- image*
- texture*
- making*

* - that one might be useful if one of your USPs compares yourself with the competition.

If your widgets are on the high end:

- cheap*
- inexpensive*
- discounted*

For mass-produced widgets:

- handmade*
- custom*
- customized*
- crafted*

The list can go on forever...

But!

Even if you came up with hundreds of variations of negative keywords in an ad group, you would still miss thousands more.

Every time you check your server logs and see another word you would like to exclude, you've already lost money on that click and you've lost CTR on all those who searched with that same to-be-filtered-out word, but did not click.

After a while, you'll get tired of fishing out those negatives and checking Wordtracker or the Keyword Suggestion Tool to see what else people search for that you need to exclude.

You'll start thinking that you've included enough negatives to cover yourself...
...and that's when you start losing money.

You see,

If took a day off while running "not enough" narrow keywords and exact matches - you've lost some potential market.

If you took that same day off while running broad matches with "not enough" negatives - you've lost money.

Just pause for a bit, think of the way you work, and consider which one of those things is worse.

Again, if you are using your referrer logs to find new negatives keep in mind that for each one of those clicks that wasted your money there were many more searches that simply lowered your CTR. That caused you to lose even more money, since lower CTR means you are paying more for each click.

More importantly, if you are not targeting specific keywords - you do not want to get visitors that are looking for specifics which do not match your specifics. And negatives cannot protect you here.

Did you get that last line?

OK, just in case, let me rephrase myself.

If you are targeting *widgets* and you know that your widgets have certain attributes, you do not want to attract people who are searching for widgets with a different set of attributes.

And this is exactly what happens when you use broad matching, even with negative keywords.

But when you target the exact match [*widgets*] (even for such general term), you get people who know they want widgets, but they don't have any specifics in mind.

In other words, they are open to suggestions. It is much easier to sell your specific widget to a person that is just looking for widgets, but has no idea what exactly it is he wants.

Negatives offer a great way to limit some obviously unwanted terms, especially for test campaigns with broad matches. Still, you should not rely on them to help you actually target your traffic.

When thinking about your negative keywords, keep one thing in mind:

Time spent on finding negatives would be better spent on finding more exact matches for that same general term.

14. Don't be afraid to miss a part of the market

This section summarizes the point I was trying to make throughout the report, and here it is:

You need to understand that unless you have unlimited resources, the more market you are trying to cover the thinner you spread. The thinner you spread the easier it is for your competition to run you out of business.

Your failure won't be caused by one competitor, but by many unrelated companies and individuals who promote their own niches; the niches which just happen to be a subset of the market you are trying to cover.

If you are just targeting *widgets* then you'll have to spend your money competing with a guy who concentrates on *expensive widgets*, a girl who is selling *handmade widgets*, another girl who is targeting *unpainted* and *pre-assembled widgets* and a lot more guys and girls who will eat your lunch and drain your resources a tiny bit at a time.

All that before you actually get to battle with your absolute direct competition.

I'll rephrase what I said in one of the earlier sections of this report:

Do not be afraid to lose a general portion of a market in return for a dominance of a targeted portion.

Keep this in mind whenever you are brainstorming on your keywords.

Well, this is the end of the general part of my report.

I described some ways to increase performance of your advertising campaigns. I talked about conversion ratio, CTR, CPC, ad positions, keywords and some other important things. I also mentioned and stressed the importance of tracking and testing.

In the following sections, I will talk about the use of proper tracking techniques to improve the way you test. The idea is to reduce the amount of guesswork in every step of the process.

Visit my [message board](#) to discuss all these topics or send an e-mail to bcc-books-adwords@aboutrealstuff.com to get more of my ideas.

15. Tracking macro-actions

I discussed paying less for each click in the section about CTR and CPC; so for now, let's concentrate on the positive ROI and higher conversion ratio.

The most simplistic definition of return on investment in marketing would be:
- How much money you make minus how much money you spend to make that money.

I will not go over the life-time value of the customer, the increased value of your business based on the size and loyalty of the customer base, and the immediate results of future back-end marketing efforts.

I will also leave profit-maximization vs. revenue-maximization discussions out of this report.

For now, let's just assume that a positive ROI is when your net profit covers all your marketing expenses for any given campaign and you are still left with something.

Let's get back to one of the statements I made earlier in this report, which I'll rephrase as:

You need to have a positive ROI to stay in business, and the higher it is the more you can spend on yet more additional advertising.

How can you make sure you get positive return on your marketing investment?

You need to be able to track all visitors that come through the ad and purchase. After that, you need to calculate your profit on those sales and look at the number of clicks it took to make them.

This will give you your maximum cost per click that you can afford to pay.

If you start tracking each and every ad individually, you'll know how much you can spend on each ad and each keyword.

This is called tracking macro-actions or tracking conversions (which could be a sale, a sign-up or whatever you are trying to achieve).

Tracking macro-actions is easy, but that's not the entire purpose of tracking in helping you succeed.

Once you've started tracking conversions, you know how much you can pay for each click and everything looks great...

...but what can you do if your competition bids higher?

Well, they are either too stupid or too smart. I went over this in the People who bid too high are stupid ... or not! section.

The question is: What can you do about it?

Well, you could try to increase your conversion ratio.

Let me clarify something:

Conversion ratio is the percentage of visitors who end up becoming your customers. So if you have one order per 100 visitors, your conversion ratio is 1%.

So what does this all mean?

If you convert at 1% and can afford to pay 20 cents per click to maintain a positive ROI, then you could pay 40 cents per click with a conversion ratio of 2%.

Your profit would stay the same, but you would be able to pay twice as much for each click.

How can you increase your conversion ratio?

Hmm, good question. Many smart people say that the only sure way to do it is to **test**.

So how do you test that?

Read on...

16. Tracking micro-actions

In order to test effectively, you also need to track micro-actions, as opposed to macro-actions.

You see, tracking sales or sign-ups is a good thing, but it's not good enough. You also need to track page-views, click-streams, exit pages and many more things for visitors brought by each ad separately!

So if you notice that people who click on your ad A and land on the page B seem to visit some page C more often than general traffic - you need to try sending people from that ad A directly to the page C... or maybe adding a more noticeable link to the page C from the page B... or maybe... well, you get the point, don't you?

What if you are targeting a keyword *metal widgets* and land visitors on the category page that displays 20 different widgets.

And you notice that people who click that particular ad, seem to click on a silver widget at the bottom of your product listing.

Well, maybe you should move it to the top?

Or maybe you should add a sign "Special" or "New" or "On Sale" next to that item?

Maybe you should realize that in people's minds, "metal widgets" equate with "silver widgets" and not "steel widgets"? Contrary to what you have believed?

You never know until you test.

In order for you to make **constructive** changes to your site, you need that tracking data.

And if you have hundreds of keywords, there is simply no way to get that information without tracking micro-actions on per-ad basis.

Let's take it a step further.

If you notice that people who search for *metal widgets* end up looking (not necessarily buying) at silver widgets, but people who search for *white shiny widgets* end up looking at steel widgets - shouldn't you land them on different pages, with slightly different layouts and product offerings?

Don't make assumptions about how people act - test and track their behavior. This is the only way to know for sure.

Who said you have to send your AdWords traffic to the same pages you use for other promotions?

Who said you can't create different pages for different ads and different keywords?

Combine your macro-actions and micro-actions tracking and you'll get another piece

of valuable information.

You'll see what people **look at** as opposed to what they **buy**!

Once you get that data, you can use it to up-sell, cross-sell and do many other wonderful things that increase your average order size, and let you bid more for each click, while still making profit.

And that's not all!

If you separate your data based on your ads and keywords, you can maximize your conversion for each ad you run.

The point is:

You need to know what your visitors do on your site based on where they came from!

OK, this covers most of the tracking.

If you are not doing what I've described in this section - you are missing out.

Send a blank e-mail to bcc-books-adwords@aboutrealstuff.com with a subject "Tracking" to receive more tips on different concepts of tracking, analysis, and various ways to implement it.

17. Tracking continued - testing the page

Let's back up a bit, and talk about individual pages as opposed to visitor click-streams.

In this section of the report, I'll use a term "attribute" of a page.

The attribute can be anything from a headline, to a navigation button to a call-to-action line. It's just a visual element of the page that can have different value or be presented in a different way.

Once you got the click-streams and structural layouts in order, it is time to start working on the attributes of your pages.

From this point, I'll talk in the context of a single page (mostly about a product offering page), but the concept can be applied to many groups of pages, to sales pitches (or parts of them) or even to your ads. I'll talk about optimizing your ads later on in the Ad copy section.

For now, your goal is to increase conversion ratio, so you can beat your AdWords competition and still make profit.

What you say and how you say it affects your conversion, so it's only natural to test and track your attributes (elements of your pages).

Let me give you a few examples of questions that attribute testing and tracking can resolve:

Which sign on your "cart" button converts better?

- Add To Cart
- Checkout
- Buy Now
- Buy This Item
- Purchase

Which sign describing the stock status of an item converts better?

- This item is available
- This item is available
- This item is in stock
- This item is in stock!
- This item is currently in stock
- This item is currently in stock!

Which way of showing the actual price converts better?

- Price: \$12.95
- Your Price: \$12.95
- Our price: \$12.95
- Best Price: \$12.95
- Your Best Price: \$12.95
- Our Best Price: \$12.95

Which way of showing the "regular" price converts better?

- Regular Price: \$19.95

- Everyday Price: \$19.95
- Regular Price: \$19.95
- Everyday Price: \$19.95
- Not showing the "regular" price at all

Those are just 4 out of hundreds of possible attributes. I just described content, so don't forget about colors, fonts, alignments and other visual variations.

And guess what?

You need to know which ones increase your conversion ratio!

Guess what else?

You need to know which ones increase your conversion ratio **based on the source of traffic**, per any given ad!

Guess what else besides that?

You need to know which **combinations** of those attributes produce higher conversion ratios!

For example,

What if using "Add To Cart" sign on the action button together with a price description "Your Best Price" works better than some other combination of those two attributes?

For that particular ad with a keyword "metal widgets"?

But not for "white widgets"?

How would you know that without testing and tracking?

If you don't have such data then you are missing out on a huge opportunity to **rip your competition apart** and **leave them wondering about what happened!**

On the other hand, what if your competition is testing and tracking their attributes?

What if one correctly matched attribute increases their conversion ratio by just 0.02%? What if they test 100 different attributes and tune each one to add 0.02% on average to their ratio? That's an extra 2%!

In such case, if you convert at 1% - they convert at 3%.

Which means they can easily pay 60 cents per click where you can only pay 20.

Not a good situation, is it?

But do you know what's the worst part of all?

You'll have no idea about their conversion ratio and the price they are paying per each

click. You'll just keep wondering how can they possibly be in business, running those ads month after month.

Well, enough about your worst nightmare (called reality).

Here is the real problem ... and a solution.

How much time would it take you to test 100 attributes?

Probably a lot. And the worst part lies with the famous 80/20 rule (or a 20/80 rule, depends on how you look at it).

20% of your attributes will affect 80% of the result.

In other words, you will waste your time testing 80 attributes out of that hundred.

The only practical (even though not a full-proof) solution is to test in parallel.

I'm not going to get into much detail in this report, but you should get some idea on what to do and how to do it.

You need to split your traffic into different groups, each with a different set of values for your attributes, **automatically rotated** on random for each **new visitor**, but **kept consistent** for all **returning visitors**.

And you need to be able to track the micro and macro-actions for the values of those attributes, so you can see which ones are more effective.

Don't think about the attributes too much, just keep adding variations and check the results.

The idea is not to predict which version of which attribute will perform better or which attribute is more important. No matter how hard you try, you'll fail to guess correctly most of the time.

Instead, create variations for all attributes you can think of, and then collect the results.

Your test data will quickly show what you should concentrate on. Once you have gathered some results and know your 20% (the significant attributes) - then start working on those and forget the other 80%.

You can use this approach to test pretty much anything you want, but for now, just concentrate on the page attributes.

OK, by now, I hope you agree with me that proper tracking is vital to your success, especially in the PPC marketing.

Again, as with the previous section:

Send a blank e-mail to bcc-books-adwords@aboutrealstuff.com with a subject "Tracking" to receive more tips on different concepts of tracking and various ways to implement it.

P. S.

I hope you enjoyed reading this report. It was not a step-by-step guide with exact numbers, charts and case-studies. I just described my findings during months and thousands of dollars spent advertising on Google AdWords.

Even though no one can always be right at everything and I do not claim to be the best at the AdWords game, I still hope this report will help you avoid some mistakes.

Send an e-mail to bcc-books-adwords@aboutrealstuff.com if you would like me to publish more of my thoughts and detailed experiences about AdWords (in particular), PPC (in general), tracking, testing, front-end or back-end marketing, conversions, or sales.

Also, drop by my [discussion board](#) where you can ask any questions, post suggestions, and get the latest updates on this report.

Good luck!

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