

Research Study
from the Atlas Institute

SPONSORED SEARCH:

HOW MUCH ARE YOU PAYING FOR YOUR
CUSTOMERS' NAVIGATIONAL BEHAVIOR?

By Nico Brooks, *Director, Search Strategy*

"Search and navigation are different behaviors, yet search engines are used to doing both. This means a good search engine can handle search and navigation requests. Google's popularity is in large part due to the fact it is also a good 'navigation engine.' Its ability to find the right site when a user can't recall how to reach the site directly is excellent."¹

- Danny Sullivan, Noted Search Marketing Speaker and Author

It turns out that 71 percent of sponsored search clicks are navigational. So what does that mean to you? Well, first of all, it indicates the possibility that you're vastly overpaying for branded search. And secondly, it defeats the theory that the last click before a conversion was the one that drove the sale. It tells you that almost three quarters of your sponsored search buy is not bringing in new prospects—it's

simply delivering people who are already actively looking for your URL.

What's more, new research by Microsoft's Atlas Institute shows that what you pay for navigational clicks is actually more than half of what you pay for sponsored search. Is it worth it?

**BRANDED SEARCH WORDS
ACCOUNT FOR OVER 50% OF
SEARCH DOLLARS, AND 71%
OF SPONSORED SEARCH
CLICKS ARE NAVIGATIONAL.**

To understand how navigational search impacts search marketers, we analyzed a large cross section of paid search traffic, looking specifically for evidence of navigational search activity. Our analysis pro-

¹ Sullivan, Danny. "Browser-Based Searching." *The ClickZ Network*. April 10, 2002 <http://www.clickz.com/1006191>

vides statistics on the pervasiveness of navigational search, as well as insight into navigational behaviors.

Research Methodology

For this research, we analyzed click-log data for 120,000 unique users occurring between November 1, 2006, and May 1, 2007. The click data we analyzed originated from paid search advertisements purchased through Yahoo! Search Marketing, Google AdWords and Microsoft AdCenter. A total of 275,858 paid search clicks were recorded for the set of users during this period. Thirty advertisers were included in the study, each advertiser accounting for 4,000 unique users.

In the discussion that follows, we use the term “conversions” to describe the primary measurable events advertisers use to gauge the effectiveness of their advertising campaigns. Examples of conversions advertisers might track include order completions, “contact-us” form submissions and page views.

Categories of “Navigational Search”

In our analysis, we categorized each sponsored search click according to two behavioral dimensions.

Repeat Visit Behavior

If a user clicked on multiple ads leading to a given advertiser’s web site, we considered each instance after the first to be a repeat visit. We considered repeat visits to be navigational because they imply prior knowledge of the advertiser.

Branded Keyword Search

A click was assigned to this segment if the key phrase associated with the click included the advertiser’s brand name or explicitly matched the advertiser’s web site URL. For example, if a user clicked through to the ACME Corporation web site, the following key phrases would be categorized as branded:

acme.com
www.acme.com
acme corporation
acme corporation web site

What We Have Learned

Table 1:

Percentage of total clicks by category.

Navigational search from branded keywords and repeat visits (shaded) account for 71% of sponsored search links.

	Non-Branded	Branded	Total
First Visit	29.0%	22.7%	51.7%
Repeat Visit	11.4%	36.9%	48.3%
Total	40.4%	59.6%	100.0%

Below are charts summarizing our findings. Table 1 shows the results for each segment as a percentage of total clicks. The percentages given are an average for all advertisers in the study, which means each advertiser had an equal contribution to the overall averages.

Looking at the data, we notice that nearly half (48.3%) of clicks were from users who had been to the advertiser’s site before. Well over half (59.6%) of clicks also came from branded key phrases. Only 29 percent of clicks were attributed to non-

Table 2:

Percentage of total cost by category.

The total cost of navigational clicks (highlighted above) adds up to 53.6% total sponsored search costs.

	Non-Branded	Branded	Total
First Visit	46.4%	12.8%	59.2%
Repeat Visit	19.4%	21.4%	40.8%
Total	65.8%	34.2%	100.0%

branded first visits. This relatively small segment is often how search marketing is characterized— as a means of attracting and acquiring new customers.

We also looked at the media cost by segment in Table 2, to quantify the impact of navigational search on overall search budgets. The 59.6 percent of clicks attributed to branded key phrases represented 34.2 percent of total cost. This shift is to be expected, given the relationship between click-through rate and bid price. Ads with higher click-through rates require lower bids to maintain top positions. Since branded key phrases are directly related to the advertisers’ brand or URL, higher click-through rates and lower CPC rates are expected for these ads.

The Impact of Navigational Search on Conversion Attribution

Navigational search raises some concerns regarding how advertisers measure the performance of their campaigns. Current reporting standards attribute conversions to the last ad click or impression prior to the conversion event. Thus, virtually all campaign reports ignore the fact that consumers are being reached by multiple ads, on multiple sites, and across many channels. Since navigational search behav-

ior typically occurs in a user's immediate path to conversion, navigational search ads often appear to be the source of high volumes of conversions. Put simply, navigational search behavior implies that the user already knows the advertiser. That prior knowledge may have come from a variety of other marketing touch points and interactions, and in many cases, from existing customers who are returning to the site to buy again.

To accurately measure performance, an advertiser should consider all ad exposures prior to a conversion. In support of this point, there is mounting evidence that crediting the last ad or click with the entire conversion is short-sighted. A recent study from the Atlas Institute found that two-thirds of converters were exposed to ads from multiple sites.² A separate study found that sponsored search clickers were 22 percent more likely to convert if they were exposed to display ads from the same advertiser.³ If we take a holistic view of all tracked ad exposures, a conversion should not be attributed to the last ad clicked, but rather the value generated should be shared among all interactions that lead to a conversion. This means that advertisers currently have an inflated view of the value of navigational clicks, and are likely undervaluing non-navigational search clicks and other media types.

What This Means for Marketers

Billions of dollars are being spent every year on navigational search clicks, and in all likelihood a significant portion of your search spend counts towards this number. The phenomenon of navigational search isn't bad for search marketers. It is in fact an indication of the growing reach of search engines, but navigational search behavior should factor in to how you manage your search marketing campaigns. Below are a few tactics to consider when managing paid search.

1. > Separate out your branded keywords when looking at clicks, cost and performance. This will help you understand how paid search is contributing to your overall advertising efforts. If branded keywords are driving a lot of sales, it is likely that other marketing channels are generating interest in your brand. In addition, analyzing repeat-visit behavior will help you optimize your search campaigns. A high incidence of repeat visits is an indicator that a keyword is being used navigational. This information can be useful in planning natural search optimization and could change how keyword performance is being valued.

² Fowler, Jed. Analyst. Atlas Institute. "The Impact of Overlap on Reach, Frequency & Conversions." http://www.atlassolutions.com/uploadedFiles/Atlas/Atlas_Institute/Published_Content/IODMI.pdf

³ Strong, Esco. Sr. Analyst. Atlas Institute. "The Combined Impact of Search and Display Advertising." http://www.atlassolutions.com/uploadedFiles/Atlas/Atlas_Institute/Published_Content/crosschannelndmi.pdf

2. > Test what happens if branded key phrases are bid down or removed altogether. Several of the advertisers in this study were not bidding on any branded key phrases. In most cases, those advertisers ranked at the top of the natural listings for brand related key phrases, which is often true for advertisers. A well-placed natural listing may be all the navigational searcher needs to click-through and convert.

3. > Consider all touch points that led to a conversion, not just the last ad. As discussed above, navigational search can mask the impact of other advertising media due to last click attribution of conversions. In order to accurately understand how different channels contribute to conversions, use one tracking mechanism to measure the performance of all ad types and look beyond the last ad when attributing value.

About the Atlas Institute

The Atlas Institute is the research and education arm of Microsoft Advertiser and Publisher Solutions, a provider of accountable advertising tools and expertise for agencies, marketers, and publishers. The Institute publishes Digital Marketing Insights, a series of publications by digital marketing experts that help our customers improve their digital marketing effectiveness. Many of these findings are also made available to the digital marketing industry at large. Each Digital Marketing Insight is designed to help marketers more successfully build value with their customers, throughout the customer lifecycle: from awareness to acquisition and from retention to growth. The Atlas Institute also provides education in digital marketing to Atlas customers.

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