

You might be paying too much for ads on Google, Bing

February 6 2018



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Before you dish out money to bid for a top-ranked ad position on a search engine, you may want to pause and make sure it's actually going to pay off.

New research out of Binghamton University, State University of New York suggests that instead of just spending to get that top spot, advertisers should be considering other factors as well to ensure they are getting the best results from their sponsored [search](#) advertising campaigns.

Sponsored search advertising involves paying search engines, like Google and Bing, to bid for placements on the search results pages for specific keywords and terms. The ads appear in sponsored sections, separate from the organic search results, on those pages.

"The common belief in sponsored [search advertising](#) is that you should buy the top ad position to get more clicks, because that will lead to more sales," said Binghamton University Assistant Professor of Marketing Chang Hee Park. "But the fee for the top position could be larger than the expected sales you'd get off that top position."

Park, with the help of Binghamton University Professor of Marketing Manoj Agarwal, analyzed data collected from a search [engine](#) and created a [model](#) that can forecast the number of clicks advertisers could expect in sponsored search markets based on four factors:

- Rank in the sponsored listings
- Website quality
- Brand equity
- Selling proposition

The model gives advertisers a way to quantify the expected clicks they'd get by adjusting these four factors, while also taking into consideration how their competitors are managing these four factors. This could enable advertisers to find a perfect blend of the four factors to ensure they are getting the most out of what they are paying for their ad positions.

It may also indicate that they should be spending more money to bolster their brand or website rather than amplifying their offers in top ad positions.

"Using this model, you may find that paying less for a lower ad position while investing more in improving your website is more effective than spending all of that money strictly on securing top ad positions," said Agarwal.

This applies especially if your competitor has a poorer-quality website, but is spending more than you on securing top ad positions.

Their model found that poor-quality advertisers that are ranked higher in ad positions drive consumers back to the search results page, leading consumers to then click on advertisers in lower ad positions to find what they are looking for.

In contrast, they also found that a highly-ranked good-quality [advertiser](#) results in significantly less clicks for all the advertisers ranked below them.

"It's more likely that in the top position, all advertisers being equal, you'll get more clicks. But depending on these four factors, as well as the quality of your competitors, you may find that you'll get more clicks in the second or the third position," said Park.

"Conceptually, this is not a new idea, but now the model can help determine this by accounting for multiple factors at play at the same time."

Advertisers aren't the only ones who can benefit from this research.

Park and Agarwal's model found that simply reordering the listed

advertisers could result in significant changes in overall click volume (the total number of clicks across all advertisers) for search engines.

"Because they often charge on a pay-per-click model, search engines can now simulate which ordering of advertisers in a sponsored search market results in the most overall clicks and, therefore, most revenue" said Park. "Search engines may want to consider charging advertisers in a way that gives the [search engine](#) more flexibility in determining the order in which the ads in sponsored sections are displayed."

The study, "The order effect of advertisers on consumer search behavior in sponsored search markets," was published in the *Journal of Business Research*.

More information: Chang Hee Park et al, The order effect of advertisers on consumer search behavior in sponsored search markets, *Journal of Business Research* (2017). [DOI: 10.1016/j.jbusres.2017.11.003](#)

Provided by Binghamton University

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