



iProspect Outsourced SEO Metrics & ROI Study

August 2005



Background

In order to gain a better understanding of search marketer motivations, perceptions, and decision-making, iProspect partnered with JupiterResearch to field a survey of qualified search marketers, that resulted in iProspect Outsourced SEO Metrics & ROI Study.

Methodology

In August 2005, JupiterResearch surveyed search marketers and agencies. Respondents were targeted by familiarity with their company's search marketing efforts and screened for involvement with marketing their company's products or those of clients. A total of 636 qualified search marketers and 224 qualified search agencies completed the survey. Respondents received an email invitation to participate in the survey, with an attached URL linked to the Web-based survey form. As an incentive, respondents were entered into a sweepstakes for the chance to win a \$50 Amazon.com gift certificate.

In this survey effort, JupiterResearch worked with its sister company JupiterWeb on the technical tasks of sample building and survey fielding. JupiterWeb properties include more than 150 Web sites and over 150 email newsletters that are viewed by 20 million unique users and generate over 275 million page views monthly, thus enabling JupiterResearch to survey hard-to-reach audiences.

Question & Responses

This study focuses on the findings generated from the following question and responses:

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

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

The results were as follows:

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|---|-----|
| SEO produces higher ROI than search ads | 35% |
| We have not measured | 21% |
| We are unable to distinguish between ROI for SEO and for search ads | 14% |
| SEO produces lower ROI than search ads | 11% |
| We are unable to calculate ROI | 10% |
| SEO and search ads produce similar ROI | 9% |



Executive Summary

The iProspect Outsourced SEO Metrics & ROI Study finds that a significantly greater number of search marketers who outsource the management of their natural search engine optimization (SEO) to an SEM firm – who also participate in paid search advertising and can measure the return on investment of both their SEO and paid search advertising – net a higher ROI from SEO than from paid search advertising.

Though probably not surprising to more seasoned, and more sophisticated search marketers, this finding may, however, surprise those who would assume that due to the pure raw number of marketers participating in paid search advertising, compared to the much smaller number participating in natural SEO, that paid search would be a more productive channel.

Very surprising was the finding that almost one out of two search marketers who outsource the management of their natural search engine optimization (SEO) to an SEM firm – who also participate in paid search advertising – either do not measure the return on investment (ROI) of their natural SEO efforts, or are unable to separate the ROI of the SEO from that of their paid search campaigns.

iProspect thought that search marketers engaged with SEM firms or agencies to manage their SEO efforts would not only have a high degree of motivation to track the ROI of their engagements (in order to justify maintaining an ongoing working relationship with, and payment to, their vendors), but also that through their vendors they would have access to web analytics tools and professional services/support that would empower them to determine the ROI for any/all of their campaigns. This survey demonstrated, however, that for every search marketer who could compare SEO and paid search advertising ROI, there was another who could not.

Key Findings

1. Search marketers who outsource their natural search engine optimization to an SEM firm, and who participate in paid search advertising, recognize higher ROI from natural SEO than from paid search advertising.

Over three times as many search marketers generate a higher return on investment from SEO than from paid search advertising.

2. A significant percentage of search marketers who outsource their natural search engine optimization to an SEM firm don't, or can't, determine whether natural SEO or paid search advertising generates a higher ROI.

Almost 1 out of 2 search marketers don't, or can't, determine whether SEO or paid search generates a higher return on investment.

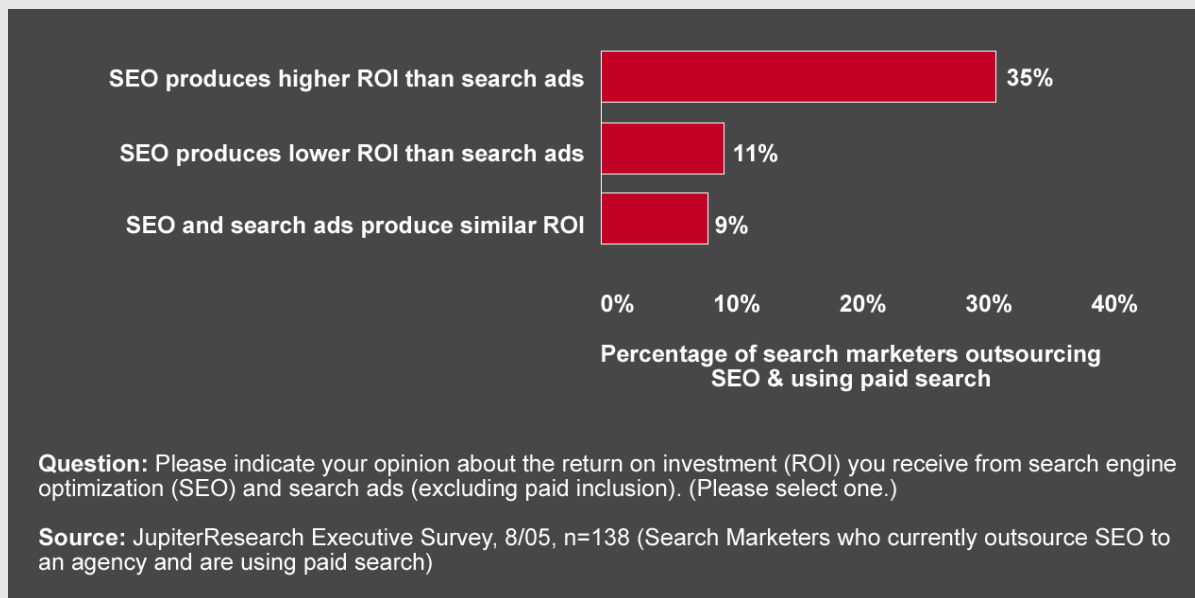
3. Some search marketers who outsource their natural search engine optimization to an SEM firm, who also participate in paid search advertising, and who calculate the return on investment of their overall search marketing efforts, are unable to separate the ROI of their SEO and paid search advertising campaigns.

Roughly 1 out of every 7 search marketers cannot separate the return on investment generated by their SEO efforts from that generated by their paid search advertising efforts.



Detailed Findings

1. Search marketers who outsource their natural search engine optimization to an SEM firm, and who participate in paid search advertising, recognize higher ROI from natural SEO than from paid search advertising.



35% of search marketers who outsource their natural search engine optimization (SEO) efforts to an SEM firm, and who also participate in paid search advertising (either managed in-house or outsourced), indicate that the ROI that they net from their SEO efforts is greater than that which they net from their paid search advertising efforts. Conversely, just 11% of search marketers report that the ROI generated by their participation in paid search is greater than that generated by their SEO campaigns, and just 9% report that SEO and paid search advertising generate similar ROI.

Interestingly, an even higher percentage (42%) of search marketers who outsource BOTH their paid search marketing and the natural SEO, feel that natural SEO produces a higher ROI.



Validates Previous Findings

Though this finding may seem surprising to search marketers who are not yet participating in natural SEO – or not yet outsourcing their natural SEO – more sophisticated search marketers, and those who outsource their natural SEO efforts, are probably not surprised at all. Numerous studies, including iProspect's [Search Engine Users Attitudes Survey](#) (April 2004) have found that search engine users find natural search results to be more relevant to their search engine queries, and that as a result 60-70% of clicks on the major search properties are made on the natural search results. Savvy search marketers know this, and make the investment in outsourcing the management of their natural SEO to take advantage of this search engine user behavior.

Differences in Cost Models

Additionally, the cost model for SEO is typically different than that for paid search advertising – thereby providing an advantage to SEO when calculating the “investment” component of ROI. With paid search advertising, a marketer pays for every click – every visitor to the website – based on the amount being bid for each keyword ad on which a user clicks.

To calculate the ROI for a paid search campaign, therefore, a marketer must add the total amount that was paid for all the clicks to all the keywords being bid upon (as well as the fee being charged on top of each click if an SEM firm is being paid to manage the paid search campaign) and divide that cost by the revenue generated by those clicks.

In the case of natural SEO, however, marketers typically pay a flat fee for an engagement. And so with every dollar generated by their SEO efforts – both during and after their engagement with an SEM firm – the set-fee cost of the entire SEO engagement is divided by the total revenue produced by the campaign. With every successive dollar generated, therefore, the SEO campaign incurs no additional cost (as a paid search campaign does), and so with every dollar produced, the ROI – by definition – increases.

Trend in SEO Utilization

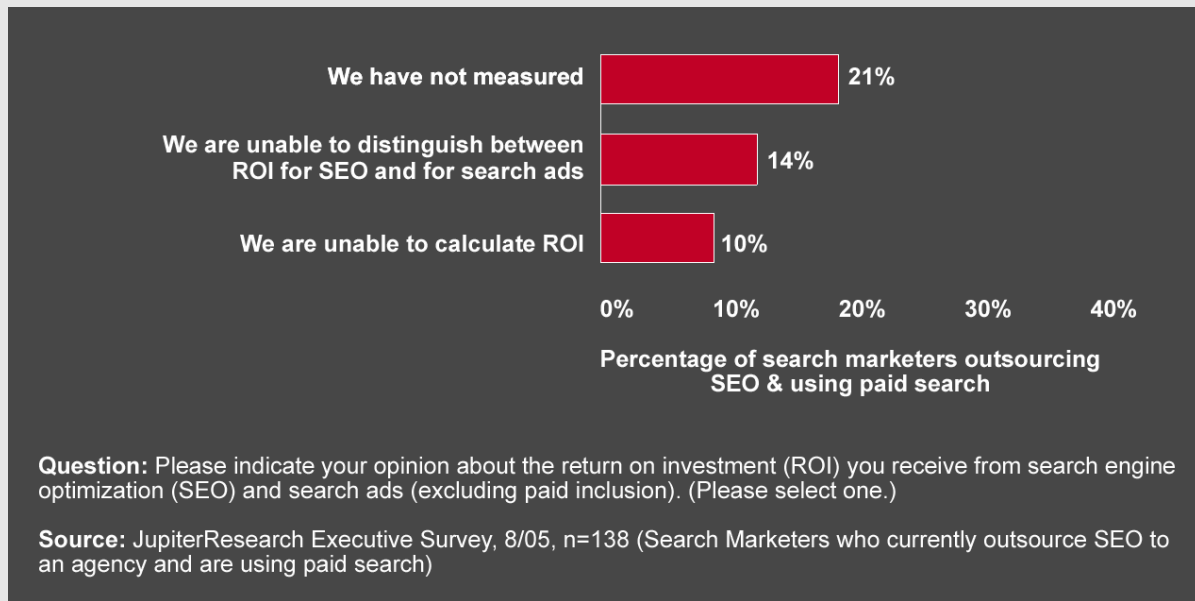
In the JupiterResearch *U.S. Online Advertising Forecast, 2005 to 2010 (August 2005)*, of the 464 online advertisers surveyed, 62% participated in natural SEO within the last 12 months, with 66% planning to participate in the next 12 months (a slight increase). On the other hand, the same advertisers responded that 66% participated in paid search advertising in the last 12 months, and that only 62% were planning to participate in the next 12 months (a slight decrease). iProspect believes that as search marketers become more sophisticated, and more of them engage with SEM firms and agencies rather than perform SEO in-house, they are experiencing greater ROI from SEO. iProspect also believes that as bid prices in many of the more competitive paid search advertising vertical marketplaces continue to rise, this limits the potential ROI of paid search ads – where no such limitation exists in the execution of natural SEO.

Advice to Marketers

With over three times as many search marketers enjoying better ROI from SEO than from paid search advertising, testing the outsourcing of SEO is a pretty safe bet. So marketers not yet engaged in, or not yet outsourcing, natural search engine optimization efforts, are strongly advised to do so – be it by obtaining additional budget, by shifting budget from under-performing offline advertising channels, or by shifting budget from paid search advertising campaigns. They are also advised to utilize performance data and analysis from paid search advertising campaigns to guide which top-performing keywords the natural SEO campaign should target.



2. A significant percentage of search marketers who outsource their natural search engine optimization to an SEM firm don't, or can't, determine whether natural SEO or paid search advertising generates a higher ROI.



45% of search marketers who outsource their natural search engine optimization (SEO) efforts to an SEM firm, and who also participate in paid search advertising, either don't, or can't, calculate whether SEO or paid search generates a higher ROI. More specifically, 21% of search marketers indicate that they have not measured the ROI of their natural SEO efforts, while another 14% cannot separate the ROI of their SEO and paid search advertising efforts, while a final 10% are unable to calculate the ROI of their natural SEO campaigns.

Limitations

Certainly "technical" and "business model" limitations are likely contributors to this inability to compare the ROI of SEO to the ROI of paid search advertising, but to what extent and in what proportions is unknown. Technical limitations would include the marketers' lack of web analytics software, the inability or unwillingness to track cookies on visitors from first visit to eventual purchase visit, and an inability or unwillingness to tag website pages with single-pixel codes that are typically required for tracking by the web analytics software.

Both lack of internal human resources, and lack of budget for outsourcing the implementation of these tracking and analytics solutions, contribute to this surprising lack of accountability.

Business model limitations would include instances where the goal of the website has nothing to do with generating sales or revenue (disease information sites created by pharmaceutical companies, for example), as well as instances where "transactions" resulting from someone visiting the website are designed to take place via an offline channel that cannot be linked to the website visit.



Advice to Marketers

First and foremost, marketers whose business models/websites include “trackable” conversions that take place on the website and that can ultimately be linked to monetary transactions are strongly encouraged to either invest in a web analytics package, or contract with an SEM firm who can provide you with this type of tracking as part of their services.

Next, marketers who already have analytics software, or are utilizing a service which provides metrics and analytics, but who are not able to track ROI, are encouraged to make the necessary investment in either internal resources or outsourced resources to tag pages for natural SEO tracking and to set cookies which don't expire.

Despite what may seem like a significant upfront investment in addressing these technical issues, the potential increase in ROI produced by the cost savings, and/or revenue creation that results from the optimization of a campaigns' performance as a result of this type of analysis, typically more than covers the development costs involved in getting there.

If marketers are currently engaged with an SEM firm – and yet are unable to calculate the ROI of their SEO campaign – they are advised to work with their vendor, along with their own internal colleagues who have the best understanding of their organizations' monetary transactions, to devise processes and methodologies for tying monetary business results to the search marketing activities which produced them.

Finally, marketers whose websites are designed to generate offline conversions – such as toll-free calls to a call center or visits to a physical store site – should develop processes for linking those conversions to the website activities that motivated them. A December 2004 [comScore Networks Study](#), sponsored by Overture/Yahoo! Search Marketing, found that in a particular vertical market (consumer electronics and computers), 92% of conversions that took place as a result of online research performed via a search engine, took place offline. So those marketers who have not yet developed a methodology for tracking online research to offline conversions may be dramatically under-measuring the success of their efforts, and thereby significantly under-funding ongoing search marketing activities as a result.



3. Some search marketers who outsource their natural search engine optimization to an SEM firm, who also participate in paid search advertising, and who calculate the return on investment of their overall search marketing efforts, are unable to separate the ROI of their SEO and paid search advertising campaigns.



14% of search marketers who outsource their natural search engine optimization (SEO) efforts to an SEM firm, and who also participate in paid search advertising, calculate the return on investment of their combined search marketing efforts, but are unable to separate the respective ROI of their SEO and paid search advertising campaigns from each other. As a result, they are unable to determine which channel provides a greater return.

Separating ROI

In the case where search marketing ROI is being tracked, but marketers are looking at a combined SEO and paid search advertising figures, marketers and their search marketing firms are not investing the time and effort to put processes, methodologies, and technologies in place that can relatively easily track – and separate – conversions (and resulting ROI) by natural and paid search results.

As with the measurement challenges discussed in finding #2 above, both lack of internal human resources, and lack of budget for outsourcing the implementation of these tracking and analytics solutions, contribute to this inability.



Advice to Marketers

Search marketers are strongly encouraged to make the necessary investment in either internal resources or outsourced resources to tag pages for natural SEO tracking and create unique URLs for pages to which visitors click from paid search ads from each paid search program.

Despite what may seem to be a significant upfront investment in addressing these technical issues, the potential increase in ROI produced by the cost savings and/or revenue creation that result from the optimization of a campaigns' performance as a result of this type of analysis typically more than covers the development costs involved in getting there.

Placing pressure on their SEM firms to assist in separating the respective results of their SEO and paid search advertising efforts can be an effective way for marketers to make this happen. Vendors will become motivated to provide solutions when the possibility of losing business exists.



About iProspect

Founded in 1996, iProspect (www.iprospect.com) is the Original® Search Engine Marketing Firm; helping many of the world's most savvy marketers at many of the world's most successful brands maximize the return on their online marketing investment. iProspect custom-creates search engine marketing campaigns for each of its clients based on their needs and marketing goals – selecting the appropriate mix of natural (organic) search engine optimization, paid inclusion management, pay-per-click advertising, and web analytics services.

iProspect has a long legacy of research and thought leadership in the search marketing industry, publishing its first study, *How Visible is the Fortune 100 to Web Searchers* in 2001. This was followed by *Marketing Tactics of Big Brands Not Meeting Web User Expectations* in July 2002, and *Searcher Behavior Shows Top Listings are Most Important*, in November 2002.

In 2004 results from the [*iProspect Search Engine User Attitudes Survey*](#) were published in April, and the [*iProspect Natural SEO Keyword Length Study*](#), was published in November. In August 2005, both the [*iProspect Search Marketer Performance Study*](#) and the [*iProspect Natural SEO Outsourcing Study*](#) were published.

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