



9/21/2010

## Reading Between the Lines of Bing-Yahoo's CPC Rate Increase



A newly-released [study](#) by [GroupM Search](#) confirms what many search marketers had expected might happen: a cost-per-click price increase with the merger of Yahoo! and Bing. The initial period of transition will be extremely volatile, the report warns: during the first three-week period post-transition, advertisers can expect an average increase of 64% over current Bing CPCs for unbranded keywords and 78% for branded keywords during this time. Once the marketplace settles, CPCs on Bing will rest at 13 to 23% above current Bing CPCs for unbranded and branded keywords, respectively.

It make intuitive sense that some sort of change can be expected from the integration. But the higher costs are only part of a story that may well include rates that settle to current levels, more competition in the search space and a new platform that gives marketers greater reach.

Consider the following thoughts from SEO experts who spoke to MarketingVOX about the price increase:

### **First, There is No Sign of Higher Prices Yet.**

[Wahlstrom](#) is an avid Bing marketer and we have not seen price escalation, reports Fran Powell, SVP, managing director of Interactive at Wahlstrom.

### **And They May Not Reach as High as 78%.**

"There are no empirical signs yet 'post-partnership' that the combined cost per click on the consolidated Bing-Yahoo will rise 78%," states Andrew Goodman, SearchManager Advisor to [American Express OPEN](#). Other studies, he says, such as one by George Michie at Rimm-Kaufman group, predicted roughly a 20% rise in cost per conversion due to Yahoo's keyword inventory, on average, converting worse than Bing's.

"Based on what we're seeing with our large enterprise clients at [Covario](#), I agree that

once the Yahoo/Bing merger is complete CPC's on the new combined search engine will rise to levels higher than on Bing alone," says Gary Ware, Director of Media Operations, which encompasses paid search, at Covario. "However, the data from our clients is showing that the increase will be around 20 to 30%. I believe the findings among our clients are somewhat lower than what Group M found because our clients tend to be among the leading global brands in their respective categories, which results in higher traffic due to brand recognition and thus they are rewarded with lower CPCs than lesser known rivals."

### **They Will Likely Rise Though.**

As we have learned with Google Adwords, the more competition there is for the users attention, the higher the price, says Daniel Yomtobian, CEO of [Advertise.com](http://Advertise.com). "This will be the same with the Bing-Yahoo relationship," he predicts. "Once the alliance is complete, the Yahoo and Bing advertisers will be on the same platform and competing for the same attention from the newly expanded network of users."

### **Also Keep in Mind That There Will Be Bigger Reach Post Integration.**

Independently, Yahoo and Bing have roughly 13% search market share each, combined that's 26%, doubling the networks reach, Yomtobian notes. Combining Yahoo/Bing search inventory gives advertisers a reason to make the investment/effort in bidding on a search platform outside of Google that can deliver strong volume. Compared to Google's 70%+ share, a likely increase of 78% of Bing's bids will help advertisers reach more users, he says. "Even a 78% increase in bids will still land advertisers at a discount from their average CPC on Google. While the cost will rise high in the short run, the average CPC will come down over time."

Despite the general increase in CPCs with the Yahoo/Bing combination, this opportunity going forward gives advertisers three times more reach than just advertising on Bing alone, Ware agrees. "In addition, the advances that Microsoft has made on the Ad Center Platform will give advertisers more control over bids and on keyword level changes, which should help offset the rise in CPCs with ongoing optimization."

Also, don't forget that Google has the lion's share of the search market with access to over 70% of online searchers, Yomtobian says. Over time, this has created a highly competitive bid landscape that places a large group of advertisers in a position where they simply cannot afford to compete. "If they have an opportunity to market themselves on an alternative network with less bid pressure, then I feel that the

search marketing industry at large can benefit," Yomtobian concludes.

### **At Any Rate, Managers Need to Get Smart.**

In general, the system is bound to change including new price points, says Powell. To navigate this environment, "smart SEM managers will have to learn to administer aggressive bid management and go after relevant keywords and copy to garner business profitably," she says.

### **They Also Need to Advocate for New Features.**

What search marketers are mostly concerned about is whether Bing will allow them to bid more accurately on various channels, including the Yahoo Search partnership channel, Goodman said. "The way things stand now, it does look like marketers will need to be cautious and bid a little lower than they have in the past on Bing." This problem is not isolated to Microsoft and Yahoo, he continues. Google maintains a channel called Search Partners that tends to convert about 20% worse to sales from the same keyword buys as you might do on Google Search. At present there is no way to bid lower on that specific channel.

"This underscores the continued importance of advertisers, agencies, and related software providers in pushing the search engines for better features. Search engine marketing is the most highly targeted and manageable advertising medium in the world, but it is only as good as the feature sets of the advertising platforms."

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