

Google Adwords Guide

By [David Callan](#)

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The year is 2000, Google is seen as the leader in the search engine industry by now. Many of Googles competitors are trying their hands at different advertising models as a way to generate revenue. Google currently seeing the most growth of them all saw the potential it had as an advertising medium and therefore was sure to follow suite sooner or later.

It did so with the launch of a keyword-targeted advertising program aimed more towards bigger companies. However it was not until later in the year when Google launched the **Google Adwords** program that they became a mainstream player available to even the smallest of businesses.

The original Adwords program worked well enough, however it worked on the basis of payment by impressions which didn't guarantee the advertiser a single click so in February 2002 it received a major overhaul with the introduction of the **Google Adwords** Select program (nowadays it's usually just known as Google Adwords as the original program has been discontinued).

What is Google Adwords?

Adwords is Googles version of the pay-per-click advertising model. It allows you to display ads which link directly to your website when searches are done for your chosen keywords or keyphrases. These ads are located to the right of the results which Google gives you for a search and they're also displayed on Googles many partner sites which include AOL, Earthlink, HowStuffWorks and blogger. Recently with the launch of Googles Adsense program your ads could also be displayed on websites related to your keywords.

When you create a Google Adwords ad, you choose keywords for which your ad will appear and specify the maximum amount you're willing to pay for each click. Remember Googles Adwords program uses a PPC model so you only pay when someone actually clicks on your ad and hence visits your website.

Adwords enables you to save money as its program Discounter automatically reduces the actual cost per click you pay to the lowest cost needed (\$0.01 above competition) to maintain your ads position on the results page.

Google is competing well in this arena, in fact they now dominate the market, pulling more advertisers and revenue than former industry leader Overture.com does. I don't know how long this will last though as Yahoo INC! has just bought Overture. What has Yahoo got up its sleeve?

Advantages of the Google Adwords program

Just as the popularity of Google's search engine is derived from its strong technologically advanced features and results so too is its advertising program Adwords. Google Adwords has many advantages over similar programs such as Overture.com and Findwhat.com.

One of these has been mentioned already, it's the Adwords Discounter feature which will lower your cost per click price to one cent above your nearest competitor to allow to stay ahead of his or her ad. This means that you don't have to be constantly checking if your competitors have lowered their bids in order for you to minimize your price, Google does this for you.

The way Google Adwords positions your ads is also another great advantage of the program. In Adwords the position of a certain ad is determined by multiplying your CPC (cost per click) by your CTR (click through rate) and not simply by CPC alone as this would allow the big fish to win all the time.

Google's stipulation that your ads must have a CTR of at least .05% means that a company with deep pockets simply can't outbid the competition. They also have to outwit them by using good ad copy and appropriate keywords. Even if your competition is willing to pay sky high prices for clicks this still won't save them, as if they can't write good pulling ads they will be dropped from the program, leaving you to move up a position.

Other advantages which Google's program has over similar ones include setup time and specific country / language targeting. With Adwords your ads can be live on Google within five minutes of creating them so you can potentially begin to see results immediately, ads on Overture usually go live after a three to five day waiting period. Adwords allows you to choose who should see your ads from among 250+ countries and 14 languages, this means you have more control over your ads so you can be sure they're only shown to a highly targeted audience which means your more likely to be successful.

How to profit with Google Adwords

Now you know why Google Adwords is such a good thing, let's move onto how to actually use it in order for your business to make profit. First things first, you should determine how much you can afford to pay for a click. Doing this is important as it enables you to better understand the amount of money you can bid on keywords in Adwords while still remaining profitable. To do this your conversion ratio is needed, calculate your conversion ratio by dividing your monthly unique visitors by your monthly sales, then convert your answer into a percentage by multiplying by 100.

Imagine in a month you get 20000 visitors and sell 500 products each with a gross profit for you of \$50. Your conversion ratio simply put is $(500/20000) * 100 = 2.5\%$. This means that for every 100 people who visit your site 2.5 buy your product.

Your gross profit per 100 visitors is calculated by multiply the gross profit on your product by your conversion ratio, to continue with the previous example - $\$50 \times 2.5 = \125 . Divide your gross profit per 100 visitors figure by 100 to determine how much you can bid in Adwords.

In this case you could afford to pay up to \$1.25 for a visitor and still break even. Rarely will you have to pay this much for a click, remember that the minimum CPC on Google Adwords is only 5 cent so play your cards right and you can have high profits.

Choosing your Google Adwords keywords

Next on to picking your keywords. These are the words which when searched for will trigger the appearance of your ad next to the search results. Choosing the right keywords is imperative to the success of your campaign. A good approach to choosing the right words is to imagine what you'd search for if you were looking to buy a product similar to your own.

Remember as with Overture, the more popular a word or phrase is the higher CPC you'll have to pay and generally clicks from general words convert to sales far less often than clicks from specific terms so it's always better to have a few highly focused keyphrases that get clicks than to be number one for the most general word or phrase in your industry. In Googles own words:

"General or broad keywords will generate many impressions with few results."

Do you want "few results"? You certainly don't so avoid the expensive popular words and stick with the less popular but more profitable keywords. Finding such specific keyphrases can be time consuming, but it's worth it as research has shown that although much cheaper using specific phrases helps get more highly targeted people to your site and hence helps you get more sales.

David Callan is an Internet marketing professional and webmaster of AKA <http://Marketing.com> webmaster forums. Visit his webmaster forums for the latest discussions on search engines, website authoring and Internet marketing related issues and topics.

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