

The Impact of Google Instant on Paid Search

Research Brief • October 2010



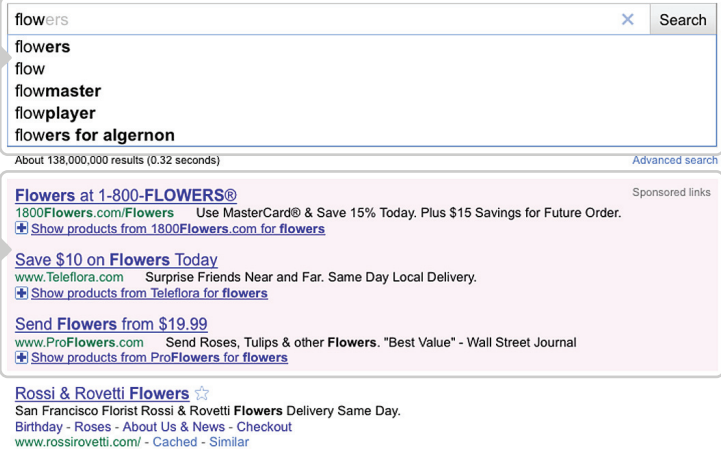
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Introduction

Launched on September 8th 2010, Google Instant is a new search enhancement that shows results as you type. With Instant, Google’s search results and the corresponding “Sponsored links” are dynamically displayed and altered as a user types in a search query. Additionally, Google Instant attempts to predict the user’s search query, and dynamically displays a list of relevant search phrases.

Predicted search phrases change in real-time as the user refines their search query

Interim paid-search ads and organic results appear and evolve as the search query is typed



The screenshot shows a search bar with the text 'flowers' and a 'Search' button. Below the search bar, a list of predicted search phrases is displayed: 'flowers', 'flow', 'flowmaster', 'flowplayer', and 'flowers for algernon'. Below the predicted phrases, there is a search result summary: 'About 138,000,000 results (0.32 seconds)'. Below the search result summary, there are sponsored links: 'Flowers at 1-800-FLOWERS@', 'Save \$10 on Flowers Today', and 'Send Flowers from \$19.99'. Below the sponsored links, there are organic search results: 'Rossi & Rovetti Flowers'.

Google Instant making search predictions in real time

Since its launch, there have been quite a few articles on how Google Instant could impact the practice and effectiveness of SEO (Search Engine Optimization), but comparatively little has been said about its potential to impact SEM (Search Engine Marketing).

With this Research Brief, our primary objective is to quantify Instant’s effect on paid-search, and to give search marketers a better understanding of what to expect in a post-Instant world. In conducting this analysis, we looked at data from a broad range of Marin Software clients, who altogether manage more than \$1.3 billion in annualized paid-search spend across a set of 300 million plus keywords.

To filter out the influence of program-driven campaign changes (e.g. keyword expansion), we conducted a longitudinal study that analyzed performance across a fixed set of keywords. To accomplish this, we isolated and analyzed key search metrics across millions of active keywords. Additionally, we mitigated the effects of seasonality by including a broad cross-section of advertisers in our study, and by only using data from a period of two weeks before and after September 8th, when Instant was launched.

Study Objectives

Because Google Instant makes search predictions and serves ads in real-time, it has the potential to change a user's search behavior, and correspondingly the underlying dynamics of paid-search. As such, our first objective was to determine whether the introduction of Google Instant changed the big picture by altering fundamental aspects of paid-search campaigns.

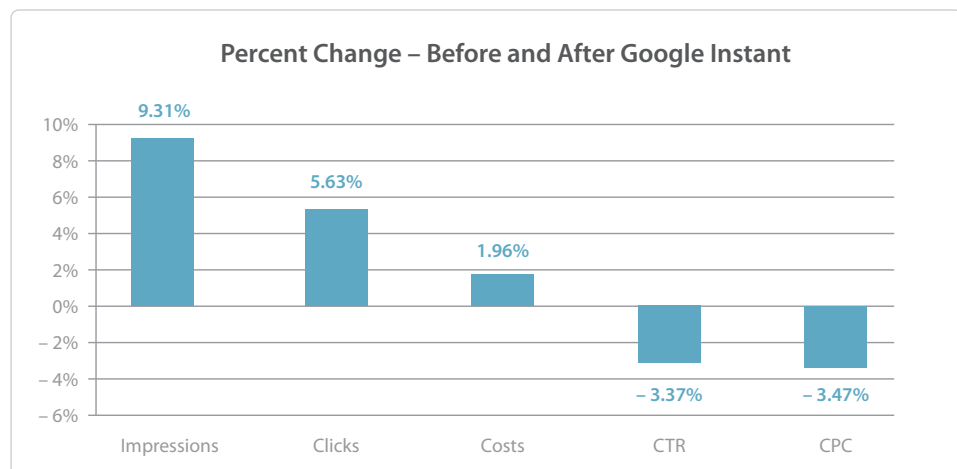
Our second objective was to understand how Google Instant impacts search query length (i.e. the number of words or tokens in a search term). Changes in query length impact whether search marketers should apply more or less focus to shorter or longer search queries, and their corresponding keywords.

Our final objective was to explore how Google Instant impacts match-type. While broad-match keywords often provide greater reach and more impressions, they are expensive when compared to their phrase or exact match counterparts. Because Instant makes search recommendations in real-time, we wanted to gauge if Instant might be skewing user behavior towards “popular” categories, leading to more expensive broad-match clicks.

Findings

Based on our analysis, the introduction of Google Instant has led to noticeable changes in key aspects of paid-search campaign performance. Specific findings are presented below:

Step Changes in Key Metrics: Across our sample dataset, we found a step change in key paid-search metrics. In examining aggregate data from two weeks before and after September 8th, we found that impressions and clicks increased significantly, cost increased slightly, and cost-per-click (CPC) actually decreased. While we were unable to incorporate conversion data into this study, an overall trend of more impressions and clicks for an overall lower CPC is largely positive for advertisers.



This trend also hints at an interesting side-effect of Google Instant and corresponding user behavior. While the 9.3% jump in impressions could simply be due to more searches, it could also be an artifact of users interacting with predicted search results, or pausing to review interim search results while they refine a longer search query. As Google has stated, if such a pause is three seconds or longer, any ads (i.e. interim impressions) shown for that duration will be factored into impression counts.

To better understand the role that search volumes played in our 9.3% impressions spike, we turned to comScore, a leading provider of digital marketing intelligence. In response to Google Instant, comScore had recently started to track searches at a more granular level. Specifically, searches that are a result of:

- Users interacting with predicted search results or other page elements count towards an “explicit core search” score
- Users pausing for 3 seconds or longer (i.e. the interim impressions scenario), are considered to be conducting “implicit searches” and count towards a “total core search” score

comScore’s findings¹ are presented in the following table:

(September 2010 Data)	Explicit Core Searches	Total Core Searches
Estimated Search Volumes (in millions)	10, 593	11,119
Percentage Increase from August 2010	3%	8%

Since Google Instant

- ↑ impressions
- ↑ clicks
- ↓ CPC
- ↓ CTR

comScore’s results indicate that the interim impression scenario is significant and resulted in 526 million incremental “implicit” searches, amounting to 4.73% of Google’s total search volume. These findings are entirely consistent with what we saw across our client base, and validate our hypothesis on the impressions jump: *While higher search volumes may have contributed to overall impression counts going up, interim search impressions (i.e. implicit searches) played a more significant role in the 9.3% increase in impressions served.*

During this same period, click volumes went up by 5.6%. Given what we know about Click-Through Rates, it is difficult to ascribe a 5.6% increase in clicks to a 3% rise in explicit core searches. The implication here is that users are probably responding to interim ads while they’re still typing or refining search queries. In other words, our analysis suggests that users are now more engaged with the search page and search results. This change in user behavior is a direct consequence of how Google Instant has changed a user’s search experience.

User Behavior Changes

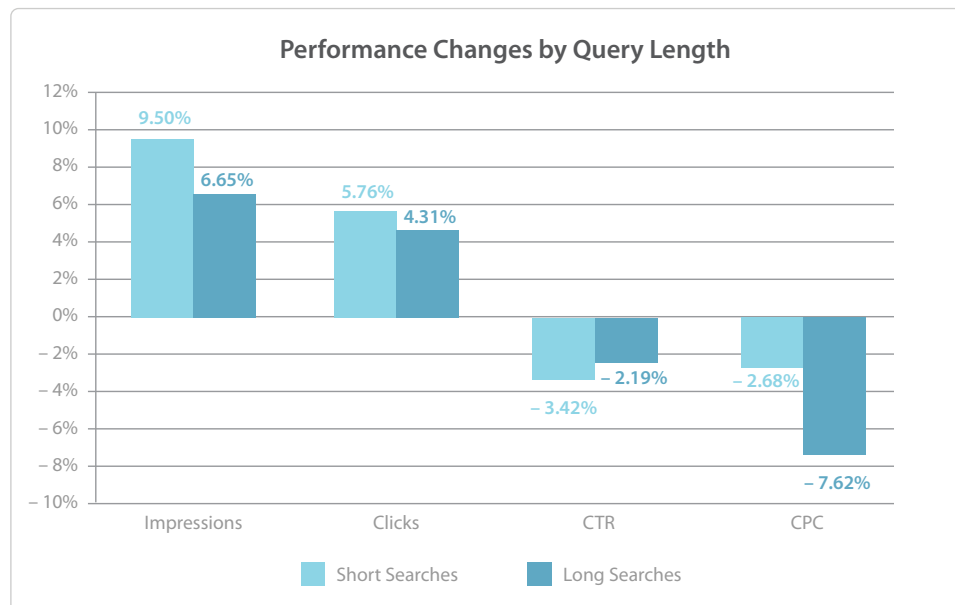
users interacting with search results more than before

¹ http://comscore.com/Press_Events/Press_Releases/2010/10/comScore_Releases_September_2010_U.S._Search_Engine_Rankings

Though impressions and clicks rose, Cost per Click (CPC) actually went down by 3.47%. While this was an unexpected outcome, we think it can be attributed to a few different reasons:

1. Most advertisers did not increase their daily budget even though click volumes were rising. This dynamic created a scenario wherein advertisers depleted their daily budget faster than normal, and subsequent auctions had a lower degree of competition leading to lower average CPCs.
2. A slight change (2-3%) in the distribution of searches across match-types. This is discussed in greater detail in the match-type analysis section.
3. Instant caused a small but perceptible shift in CPC distributions. In analyzing the number of keywords and clicks we had for a given CPC, and looking at pre and post Instant data, we found that the keyword/click-CPC distribution curve had shifted towards a slightly lower average CPC.

Search Query Length Matters: After examining the broader impact of Google Instant, we wanted to understand the impact of Google Instant on query length patterns. For the purpose of this analysis, we grouped search queries into two categories: **short searches** (1 – 3 tokens or words) and **long searches** (4+ tokens or words). The following chart illustrates how paid-search performance, when broken down by query length, changed during our study period.



In analyzing the impact of Google Instant on query length patterns, we found that impressions and clicks increased more for short searches than they did for long searches. The relative increase in short-search impressions and clicks seems to suggest that a

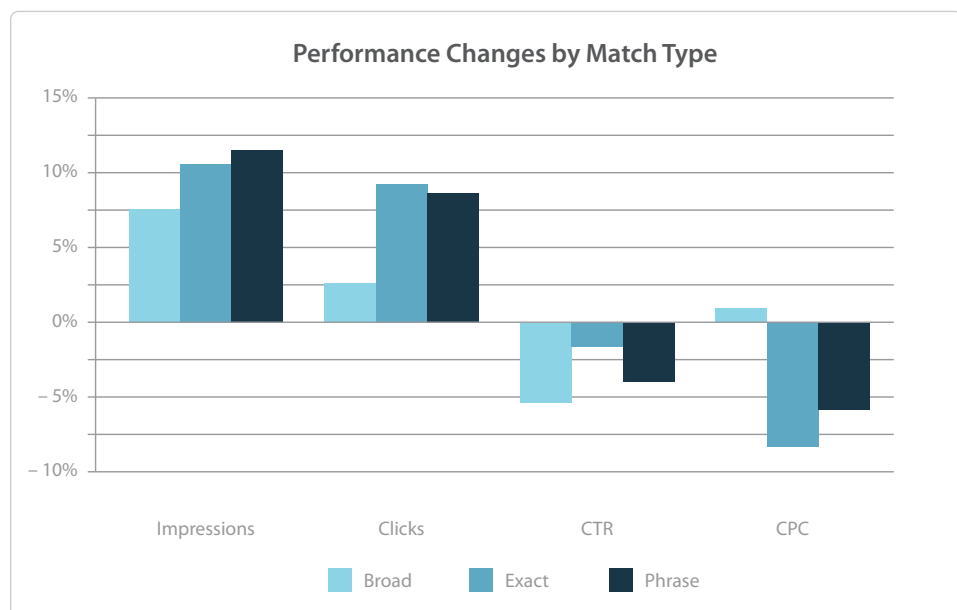
post-Instant world will see more short searches than before. By helping users refine search queries through predicted search phrases, Google Instant appears to have changed user behavior and biased it towards shorter search phrases.

Shorter search queries get more impressions and clicks than previously

The fact that CPCs for long searches have decreased by a disproportionate amount is probably not because of special conditions such as changes in quality scores or rank. Rather, we attributed this relatively steep decline in long search CPCs largely to a statistical aberration. Excluding five token queries, the average CPC decline across all token-lengths was 2.57%, while CPCs for five token search queries fell by an inexplicable 12.6%. Given the discrepancy here, five token CPC data is definitely a statistical outlier, and merits further research.

Pay Attention to Match Type

Because Instant makes search recommendations in real-time, we wanted to gauge if it might be skewing user behavior towards “popular” categories, leading to more expensive broad-match clicks. To better understand this impact, we analyzed data by match type across millions of keywords and looked at paid-search performance for the period of two weeks before and after September 8th. Our findings are presented in the following chart:



In our analysis, we found that while broad-match terms still command about 70% of all impressions and about 47% of all clicks, exact-match and phrase-match terms gained ground after Instant was launched. Accordingly, our chart shows that impressions and clicks for phrase and exact-match terms had higher percentage increases when compared to broad-match terms.

As we saw in our previous analysis, CPC's dropped more or less across the board. However, exact and phrase-match terms saw statistically significant drops in CPC, whereas broad-match terms actually saw a slight increase. From our chart, we can see that overall broad-match costs have risen, while costs for exact-match terms have declined despite being accompanied by relatively more clicks.

Exact and Phrase Match keywords will get more clicks and impression, compared to before, for a lower average CPC

Tying this in with token length, we found that exact and phrase-match terms are more strongly correlated with shorter (3 or less) token keywords. This correlation further validates our finding that clicks and impressions for shorter queries (which are more likely to be exact or phrase match) outpaced the same for longer queries.

Based on our analysis, Google Instant did not skew user behavior towards more expensive broad-match clicks. Instead, the reverse happened, with exact and phrase-match clicks gaining popularity, and a drop in overall CPCs as user's favored lower-cost exact and phrase match terms. This change is likely due to Google providing a larger proportion of exact and phrase-match search phrases (i.e. the predicted search phrases that appear in the search box) for shorter token searches.

Conclusions

While it may still be too early to draw definitive conclusions about Instant's long term impact, our longitudinal study across millions of keywords and a broad cross-section of advertisers gave us good insight into a post-Instant world.

For the typical enterprise search marketer, it is almost certain that Google Instant will result in more impressions and clicks. Some advertisers may see a decline in their CPC, but it is likely that as advertisers increase daily budgets, CPC values will rise to their pre-Instant values.

Additionally, CPCs for exact and phrase-match terms decreased significantly when compared to broad-match terms, implying that search marketers should pay increased attention to refining their match types in a post-Instant world.

Going beyond paid-search metrics, it appears that Google Instant has also changed user behavior. Users are more engaged with search results than before, increasing the number of searches and clicks. Beyond added engagement, user's search preferences also seem to have changed. Short searches (defined as 3 or fewer tokens for the purpose of this study) saw a greater increase in impressions and clicks, when compared to long searches.

In summation, Google has pulled off the elusive win-win-win with the release of Instant, driving increased usability for consumers and increased volume for advertisers, while managing to increase their slice of the overall search pie in the process.

About Marin Software

Marin Software is the leading provider of enterprise-class paid search management applications worldwide. The company's flagship product, Marin Search Marketer® is designed to address the workflow, analysis, and optimization needs of large scale advertisers and agencies, saving time and improving financial performance. Marin Software has over 500 customers and its technology is used globally to manage more than \$1.3 billion of annual search spend. Leading advertisers and agencies using Marin Software include Razorfish, Neo@Ogilvy, University of Phoenix, Macy's, KAYAK, PriceGrabber, and Reply.

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