

LookSmart Dances Advertisers Toward Optimal Pricing

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By Laurie Sullivan

LookSmart plans to advance the pay-per-click (PPC) search advertising model by unveiling a pricing tool next week at Search Engine Strategies in San Jose, Calif., Michael Schoen, VP and GM of advertising platforms at LookSmart, told Online Media Daily. The tool aims to provide a higher return on investment (ROI) for ads running in campaigns outside the big three search engines.

Optimal Pricing, a feature in LookSmart AdCenter, is one piece in an initiative that allows clients to bid on the quality of traffic, rather than just the word. It aggregates large volumes of traffic and classifies data. This allows LookSmart to price traffic on the search advertising network according to quality and volume. The model relies on details from the campaign and the network structure to provide valuable traffic at a variety of prices.

Gaining additional reach into publishing marketers outside Google, Microsoft and Yahoo creates complex pricing issues, according to Schoen. "Advertisers generally set a bid price, and often bid lower than what they pay on Google, from the bucket of traffic from additional search providers," he says. "The problem with blended pricing is the traffic available has a variety of values."

Schoen says if an advertiser has a bucket of keywords, a total of eight million queries daily, and bids on average 17 cents, they may get five thousand clicks. Look deeper into the numbers and marketers will find the eight million queries aren't the same. There might be 100,000 worth more than \$1, and 500,000 worth much less than 17 cents.

By working with advertising and using the platform to bid different prices for traffic that converts differently, the platform can achieve a better CPA at higher volume. An advertiser bidding 17 cents per click got 4,900 clicks daily, for a total of \$835 spent daily. It delivered 84 conversions daily, totaling \$10 per CPA.

Understanding the advertiser's conversion metric and using Optimal Pricing, LookSmart drove click prices to between 10 cents and 30 cents. The advertiser's daily spend increased to \$1,660, but more than doubled the conversion rate to 175, which totaled a lower CPA of \$9.50, according to Schoen.

More clicks at a lower average rate and paying less per conversion is the key to Optimal Pricing, Schoen says. It's a combination of technology and service in the platform that allows LookSmart to understand how to value queries and extract the value from each click.

LookSmart works with networks such as Kontera, which works with TMZ.com, among others.

