

The Politics of Pay Per Click

By J Fisher

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J Fisher
digilaw_2000@yahoo.com

DigiLaw Publishing, Inc. <http://www.weblawresources.com>

Are High Click Bids Hurting Your Business?

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The Internet was supposed to open up a new frontier for consumers. The beauty of the Internet was that new business models could emerge based on higher volume sales and a larger market exposure combined with lower product cost to consumers. What we should all see coming with pay per click is the exact reversal of that concept. As keyword terms are bid up, it takes a higher product cost to support maintaining a good enough listing to perpetuate your listing through the pay per click search engine to the affiliate search engine relationships that have been cut with the pay per click engine partner.

Pay per click was great when it emerged as one of the business models to cure the revenue problems with many search engines. It offered a platform where you could gain low cost product exposure. And there are still some opportunities for low product cost businesses to get good placement. But those opportunities are mostly with more obscure, lower volume terms. If this hasn't happened in the keyword applicable to your business, just wait. It will. You will soon find it more and more work to monitor your listings, followed by an upward bidding of your terms to the point where your high marketing costs force you to increase your product cost in order to maintain a profit.

We saw this phenomenon with respect to one of our business lines. Free2Incorporate. We got into Overture (Go To) early on. We were about the first to claim real estate for a penny in Findwhat. We used to get a ton of hits from these two sources for a penny a hit. Our business model on that site is to give away for free a step by step incorporation Ebook and initial state specific Articles of Incorporation, cover letters and other documents that may be needed to start a corporation under the various state laws. We attached a merge template system that automatically generates all of the incorporation documents with the variable information filled in and ready to sign. The Ebook ties into the back of our site and provides further links and resources to help complete the incorporation. For example, where the state provides online name checking, the Ebooks provide a link directly to that site.

We then sell downloadable Corporate Kit and Corporate Operational documents. Your entire corporate kit, bylaws, meeting minutes, subchapter s elections, tax id number documents and 80 other documents for \$49.95. It is a great business model for the Internet. Consumers can save hundreds of dollars under what incorporation services charge. They basically get the same thing as

incorporation services charge around \$400.00 for and attorneys may charge \$1,000 or more for.

At the same time, as long as we can keep our marketing expenses and fixed overhead down, we can make a pretty good profit. Perfect. That is how the Internet was supposed to work. I can sit here at my computer and create good content using a business model that makes me money while saving people hundreds of dollars.

Under the old business model built predominately around spider based search engines, the search engine business model worked. The competition online was primarily from "brick and mortar" incorporation services. These companies largely have high fixed overhead. They have leases and employees and all of the things that really complicate the task of creating a new business model. They couldn't maintain their business and compete with us on cost. Their businesses were tied into high over and necessary high product cost. Prices may have come down a bit. And we saw a proliferation of initial "come ons" like "incorporate for \$99.00, complete." But regardless of what initial offers were used for marketing, by the time you have everything you need to incorporate, you were spending \$400 plus the state filing fee. With our incorporation product you could get the "incorporate for \$99.00, complete" product for free. And with just a little sweat, everything else for \$49.95. Everyone wins.

We kept our initial expenses down by doing all of the development work ourselves. We put up about 15,000 pages of content and incorporation resources. Our system worked really slick...even though some of the development was not too pretty. After all the first phase of our launch was basically "my first web site." We built the business one nothing but hard work. No expenses, just good old fashioned 18 hour per day hard work.

We built our business on spider engines. And we still get plenty of traffic and demand for our product from spider engines. Shortly after startup, pay per click began to take on a larger roll in our marketing. We got in early and got good low cost traffic from them for quite some time. But lately we have noticed that the bids are getting ratcheted up for top placements to a price that our low cost business model will profitably support. Doing a little guessing and some basic math, I can figure out a range of cost per click that will still bring us a profit on our product sales. What I find is that we are running into our maximum bids because of our low product cost.

Who is winning in the pay per click game? It is the incorporation services who have a product cost that is 8-10 times our cost. Who are you going to find through Overture, Findwhat, and other pay per click engines? The incorporation alternatives that require you to pay \$300-\$400 more than you need to incorporate your business. That is the politics of the pay per click concept.

Is that anticompetitive? Maybe. It sure leads to consumers not having the full range of choices at their fingertips. And it sure retards the proliferation of business models that give low cost alternatives to consumers.

So what is the answer? We still get a lot of traffic through pay per clicks at costs that our products support. And we still do really well in the spider engines. But we have discovered that E-Zine articles are a great way to promote our business. E-Zines provide a format for us to provide free useful information and promote our business at the same time. Together with the pure spider engines, it is probably the best medium to expose consumers to real values because the low or free advertising costs will support the lower cost consumer product value.

If you see the pay per click politics having an adverse effect on your business, you might consider E-Zines as at least one way to support your products.

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