

A New Pricing Structure for SEO Companies . . . Paid Performance

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"Pricing structures" have always been the source of much discussion among professional SEO's. Knowing how much to charge for SEO services is difficult, and it depends on so many factors. So in the beginning, most SEO's tend to charge less for their services, then spend hour upon hour getting results for their clients.

From there, those satisfied customers (hopefully) recommend the SEO to other potential customers, and slowly but surely, the SEO can raise the price of his or her work to a more equitable amount.

Besides the wide differences in charges, there is also a wide assortment of pricing plans, from flat charges to individual charges for individual services, and even to charges based on traffic or sales. SEO's are constantly testing out new pricing structures to try to arrive at one that suits both the clients and the SEO, one that is fair for both sides.

One professional SEO, Barry Lloyd, has experimented with pricing structures for several years, and he's arrived at a plan that works extremely well for him. With his rather unique plan, the advantages to the client are simple: no relevant traffic = no cost. The advantages to a good SEO are also simple: usually a higher income, less hassle, and a client who is no longer hung up on rankings but who is more interested in relevant traffic and ROI.

Barry is one of the top SEO's in the UK and is the CEO of Microchannel Technologies Ltd., which provides SEO/SEM services through their MakeMeTop brand (<http://www.makemetop.co.uk>). Barry is also a regular speaker at Internet marketing conferences and a senior contributor at many of the online forums.

When asked for background information about MakeMeTop and his pricing structures, here's what Barry had to say.

"When MakeMeTop first started providing professional SEO services as a company in 1999, we

found it hard to create a model which was attractive to customers. Few had any real understanding of the benefits of search engine marketing, and we didn't really understand what our work was worth. So we undervalued ourselves, rather than charging what our work was really worth.

"After about a year and having nudged our prices higher and higher with no real downturn in business, we went the whole-hog and decided not to accept any work unless the client signed up for a year, and the annual contract produced a minimum of \$5,000 in revenue.

"At the end of 2000 when paid inclusion, paid reviews, and PPC really started becoming a part of the SEM mix, we doubled our prices again and waited for the fallout. It didn't really happen. Sure, we lost smaller enquirers, but we gained business from larger organizations. However, by the end of 2001, we recognized that unless we were giving clients an excellent return on investment, they were unlikely to stick with us.

"So, we began to work closer with clients to ensure that they were getting good relevant traffic and (within the limits of our ability) that it converted to sales. Within a few months, it became apparent that the marketing departments of our clients were working out their cost per visitor and their ROI and comparing it to the costs of both banner ads, other forms of on and offline marketing, and PPC costs from Overture. The differences were frightening. On some sites, we were driving focused traffic for fractions of a cent per visitor, yet their competitors were willing to pay (in some cases) several dollars per click and could still make money.

"It became obvious to us that we were still undervaluing our services, but how could we get this message across? The answer was blindingly simple!

"Paid performance.

"If you identify the market a potential client is in, you can identify the 'perceived worth' of traffic in that market. For example, take 'data recovery services,' which is currently over \$10 per click on Overture to be in the top 3. How much would it be worth to someone in that industry to have top 10 listings on the major SE's for that and similar terms relating to that industry? The answer is around \$1.

"The sales pitch is simple: instead of paying a \$3,000 set-up fee which covers the first 3 months of services, why not use our paid-performance plan? You give us a deposit of \$1,000, which is fully applied against click-throughs, and we charge you \$1 per unique relevant visitor. Traffic you get going directly to your Web site is not charged for -- only traffic we generate on a separate Web site. You, the client, can get the results in real-time, and you get charged nothing further until your click allowance is used up. If it is not used up within 3 months, you are entitled to your unused element of the deposit to be returned.

"Our clients have done well with this plan and so have we, earning four times what we would have charged on our most expensive plan. Since then, this has been a standard part of our sales pitch (although the number of \$1 per click deals is low). The average per click price is 22 cents, and over 60 percent of our sales come from this method, yet revenues have tripled and profitability has soared.

"Due to the growth in recognition of the PPC engines (who still have a part to play in our SEM strategy), this method removes the sense of distrust that there can be when selling SEO services and can provide a method of marketing which can be beneficial to both the client and the SEO company."

Barry continued by answering the following questions relative to his pricing plan.

Question:

If I'm understanding this correctly, all visitors are logged through a special domain specifically set up where you have full access to the referral logs in real time to make sure that the traffic generated is applicable to your site, and the phrases used are relevant to your market and services. How is this set up? As a separate subdomain of the main site?

Barry:

We are, in essence, selling traffic. A completely separate and visible domain is created. We don't use subdomains.

Question:

So, you set up another site, related to the clients' domain or industry, and all the traffic you generate goes through this domain, and the client can then track it effectively and accurately?

Barry:

Absolutely. In order to do a decent job, you need to have an on-theme site with the client's contact details. Everything is tracked through this site. The site has to be suitable for DMOZ, Yahoo!, etc. We ask for a deposit to cover the initial costs of paid reviews, spidering, etc.

Comment:

You mentioned the mistrust of clients when pitching SEO to them. This is a very real problem for many professional SEO's and one that many of them wrestle with every day. This pricing structure appears to be an ideal solution.

Question:

How do you determine the cost per visitor? Which tools do you use to determine value? Overture?

Barry:

Overture is very helpful. We look at the most important key phrase price, then look at the secondary phrases to give an overall average value of the traffic. Obviously this is significantly less than the top Overture price. Espotting in the UK can give a great indication, and so does AdWords. We also have to gauge traffic. It isn't worth doing this plan for an area where there is no real volume.

Question:

As an example, let's say it's \$3 for the VIP phrase and \$2 for the secondary phrase. Is the value then $3+2=5/2=2.5$ per visitor?

Barry:

In that case, I would probably pitch at \$1.50 to make it a no brainer for the client!

Question?

That's a big difference though than \$1.50, but you know you would win with the traffic anyway, is

that right?

Barry:

Yes, knowing the potential volume for particular searches allows you to have more flexibility in setting an attractive figure for the click-rate. If you know you are going to get high volumes, then you can reduce the price significantly from the going rate. Of course, if volumes are not high - your margin for reduction is not going to be so large.

Question:

Do you have a set number of key phrases you agree on, like 10, 20, etc.? How do you work this out with a client? I can see some clients having many competitive phrases for their sites.

Barry:

We do it on the basis of 'key themes' rather than particular phrases. We select a number of competitive phrases that we base the figure we charge on. We only have 2 clients who have put on a ceiling. Most want the traffic. Obviously, it has to be good traffic or the deal fails at the first hurdle.

Knock on wood, apart from a bit of fine tuning in the first month, we really have never had any queries or complaints. Clients love it. No ranking reports either.

Question:

Any "best practices" advice for an SEO starting out with this strategy for clients? How to avoid the possible pitfalls?

Barry:

Like all things, don't bite off more than you can chew! Judge the type of client you are dealing with and their ability to pay. The deposit we ask for often doesn't cover the actual costs incurred in building a good site which we know will convert well for the client, let alone cover the costs of the SE's.

Question:

For a given domain or client, how many pages are you setting up for them (i.e. how much time are you investing)?

Barry:

It really depends on the area you are in. A low PPC rate often means you need a broader spread of terms. A high one means often a more focused site. An average site is probably 10-15 pages. However I'm just starting on a car hire site which will be targeting major airports which will be around 150 pages!

Question:

Where does the content come from?

Barry:

Usually it is based on information on the client's site but re-written to prevent duplicate filters from kicking in. Often the client has dynamic content which has not been indexed. In any case, this is quite simple to do. Sometimes we just start from scratch.

Question:

Do you give the clients access to your Web stats?

Barry:

Absolutely -- they have full access to real time figures with the ability to check referrals.

Question:

If I'm understanding correctly, you own the domain and the site that you set up for the client. So if the client terminates the contract, he loses all the traffic coming from you.

Barry:

Correct. A contract period is entered into whereby we agree that this is for the sole use of the client for the defined period. We also undertake that if the contract is terminated, all references to the client will be removed, and they have the option to purchase the domain, though not the content. We are selling traffic. In essence, we are setting up an affiliate deal with the client.

Question:

Do you link to the client's original site at all, or this is really a totally separate issue? How do you get around with DMOZ?

Barry:

It depends on the type of site. Take travel, for example, we would probably call the agent's booking engine within the site. On other sites, it is a pure site but will have the client's phone details and e-mail will forward to the client. DMOZ has proved not to be a problem in most instances. Eight out of ten of our sites get into DMOZ, and 100% get into Yahoo!.

Question:

Will redirection to the client's original site occur only when there is a need, such as a "call to action" like ordering, subscription, etc.? Do you redesign the client's main sites for more effective click stream and conversions?

Barry:

Yes, a call to action is the only real interface with the client's site, and we do work with the client to increase their revenue stream through usability issues if we can. We need this to work for them for obvious reasons!

Question:

Getting back to the Web stats, do you do it in-house or use a service like <http://www.hitslink.com/> for the client to access?

Barry:

Generally we use an SSI script which we have in-house which gives very accurate data. Some clients prefer to run with 3rd part software like hitslink, and we don't have a problem with that either. We prefer our script in that it is easier to strip out repeat visits whereas we find hitslink is not quite as good at identifying unique visitors.

Question:

Two clients approached one of my students recently. They are just starting out, and their budget for any kind of promotion is very low. Could an SEO just start charging them a certain amount per visitor without setting up a budget with them?

Barry:

Yes, we have managed to bring on clients who are very nervous about SEO spending on a PPC basis who have increased their spending and spread as their confidence grew. I think we have been lucky, so far. You really have to assess each client. Some just aren't going to get a lot of traffic in their market niche. Some can't sell, so either way you lose.

Question:

What do you do with domain names? All the good ones seem to be taken already.

Barry:

We're in the UK. Lots of .co.uk domains around! Seriously, you have to be a little inventive without doing the spammy-spam-keywords-more-here.com. I'm still surprised at what is available. I managed to get hospitality-management-college.com for a hospitality management college (their main keyword) last week!

Question:

Let's say you have a client who desires to spend \$5,000 per month, and you deliver more than enough to match that dollar value. How do you stop the traffic flow, if it's let's say paid inclusions, but not through PPC? Any pull the plug examples?

Barry:

It is easy enough on pay for inclusion -- you can suspend traffic. Google is the real problem! In reality, you can get a good indication of what is about to transpire, and I've not had anyone fail to increase his or her ceiling.

Question:

How do you suspend traffic for the pay for inclusion engines?

Barry:

Certainly on Position Technologies and Ineedhits (for Teoma), you have a suspend button for a URL.

Question:

Any complaints that the traffic doesn't convert to sales the way the client wants?

Barry:

We try and judge if that is likely to happen before we take on the contract. Sometimes we have to be brutal and tell them: we can get you the traffic, but you won't sell anything. We make it very clear that this is a partnership and we will do everything we can to advise the client, but we can't close the sale. That is their job. Generally, the message gets through and they look towards their own site/business to see where they are falling down - not us. You have to make this all clear at the outset though.

Question:

Are your services priced to compete with the trusted feed programs from the major engines that will index problem pages?

Barry:

Not really, though we do use trusted feed in certain areas. People tend to come to us for terms which are likely to be buried under directory listings or are pretty competitive.

Question:

So you really don't ever need to modify the client's site, do you?

Barry:

No, we rarely touch the client site. If we do, it is subject to a separate contract. Nor do we charge for any traffic the client gets to his or her own site through their own SEO activities.

Question:

What is the average cost per click that you can charge clients?

Barry:

It averages around 25 cents. The lowest is 15 cents, and highest is over \$2.00.

In Conclusion

If you're a professional SEO and are considering various pricing structures, follow Barry's (<http://www.makemetop.co.uk>) example by starting out slowly and gradually working your way into a niche that works for both you and your clients. Search engine optimization is extremely time consuming and requires a considerable amount of knowledge to be successful. You deserve to be paid for your work. If you can show your clients that you'll only get paid after you bring them results, you may find that both you and the clients benefit from this type of pricing plan.

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