

Yahoo!-Google Partnership to Raise Cost for Marketers, Keyword Prices on Yahoo! Could Jump over 20%

ATLANTA, GA – July 15, 2008 – New data reveals that Yahoo!’s decision to outsource some of its search advertising to Google will likely raise average keyword prices on Yahoo! for most marketers. The findings come from the latest quarterly study released today from SearchIgnite, a leading provider of search and auction-based media optimization technology managing more than \$350 million in paid search annually. For its Q2 report, SearchIgnite analyzed 2008 year-to-date paid search activity across Google and Yahoo! to gauge the cost impact of the two parties’ proposed partnership on marketers and the broader industry.

According to the plan proposed by Yahoo! and Google, Yahoo! plans to selectively choose advertising from Google for select keywords and advertising positions. The analysis by SearchIgnite compares the cost per click (CPC) of running the same keyword for the same advertiser in the same position on the page (“rank”) across both Google and Yahoo! in order to estimate the potential pricing impact.

Key findings include:

- Keyword prices on Yahoo! may increase by an average of 22%, assuming Yahoo! pursues a profit maximization strategy.
- While average keyword pricing on Yahoo! will increase, projecting the actual increased cost for a given marketer is highly dependent on the proportion of spending across the three different types of keywords analyzed (see below for detailed explanation) and the ad ranking on the results page (e.g. first position vs. fifth position).
 - Tail terms, defined as words or phrases that are very specific and do not see high search frequency, are priced at a premium per click on Google for all positions, with an almost 20% gap by position #3 and 35% gap after position #5. While these terms do not see the search frequency of more common keywords, taken in aggregate, they can account for a significant portion of a marketer’s clicks and revenue driven from search.
 - Head terms, defined as commonly searched keywords, are priced at a premium per click on Yahoo! on average for the first three positions. After position #3, head term advertising on Google becomes more expensive on average. Bidding on these keywords is generally more expensive due to their large volume of searches and high competition among advertisers.

- Brand terms, defined as keywords that include marketers' own brand or product name, are consistently priced higher per click on average for the first position on Yahoo! than on Google, with positions #2 and #3 collectively priced roughly the same between the engines.

Understanding these keyword price variations can help marketers better adapt to the expected price increases as a result of the partnership.

“The deal is clearly financially beneficial for both Yahoo! and Google; however, advertisers need to be aware of the potentially significant impact to their search marketing efforts,” said Roger Barnette, President of SearchIgnite. “Most marketers will see their overall costs for search advertising across the Yahoo! network increase, and will need to adjust their search strategies accordingly.”

This report is the latest in a series of quarterly reports released by SearchIgnite that tracks results across the engines. Previous reports can be found at:

http://www.searchignite.com/about_research.aspx.

About SearchIgnite

SearchIgnite is a powerful search management and auction-based optimization technology that simplifies large cross-engine search campaigns, providing marketers and advertising agencies with one central platform for managing, optimizing and tracking complex keyword portfolios in real time. Marketers who use SearchIgnite have full transparency and control over their campaigns with flexible bid management capabilities including manual bidding, rules-based bidding and portfolio optimization. Leading marketers and agencies depend on SearchIgnite to simplify and maximize the performance of their paid search campaigns. SearchIgnite is part of [Innovation Interactive](#), a digital marketing services company. For more information, please visit <http://www.searchignite.com/>.