

April 12, 2009

THE ANATOMY OF SEARCH MARKETING FIRMS

An Inside Look at Search Marketing Service Operations

By Matt McMahon

This whitepaper is presented by:

Thrivepoint

<http://www.thrivepoint.com>

CONTENTS

Keen on capturing the growth (and profits) of search marketing budgets, firms offering search engine marketing services have proliferated over the past five years. With more than 2,000 firms offering some form of search engine marketing services in the United States, businesses looking to hire or buy a search marketing company encounter a cluttered marketplace with little information on how to distinguish between each firm’s strengths, weaknesses and differentiators.

EXECUTIVE SUMMARY.....	3
A BRIEF PRIMER ON SEM.....	4
CLASSIFICATIONS.....	5
FOCUS.....	5
PHILOSOPHY.....	5
CLIENTS.....	6
OWNERS.....	7
SERVICES.....	7
AUDIT FIRMS.....	7
CONSULTING FIRMS.....	8
FULL SERVICE FIRMS.....	9
OTHER SERVICES.....	10
TECHNOLOGY.....	11
TYPES OF TOOLS.....	11
SOFTWARE DEVELOPERS.....	13
WORKFORCE.....	14
ROLES.....	14
HIERARCHY.....	15
CREDENTIALS.....	15
INTELLECTUAL PROPERTY.....	16
BUSINESS MODELS.....	17
CONCLUSION.....	18
ABOUT THE AUTHOR.....	18

EXECUTIVE SUMMARY

The purpose of this whitepaper is to help businesses learn how to differentiate and segment professional services firms offering search marketing services. The goal is to enable professionals to make informed purchase decisions that deliver beneficial and long lasting relationships with search marketing firms. Key questions addressed:

How are different firms classified? Firms are classified based on whether they offer search engine optimization, paid search or both services. They are also classified based on the tools they use and the clients they work with. In addition to these classifications, this paper presents a broad set of classifications (65 in all) with which to evaluate each firm.

What types of services do firms offer? Each firm offers a unique variation of services, but in general, firms can be classified into three segments. Audit firms evaluate a client's current situation and provide recommendations for improvement. Consulting firms conduct audits and provide ongoing consultative support for clients. Full service firms provide audits, consulting and implementation of recommendations.

What tools are employed for search engine marketing? Tools are a critical component to managing search engine marketing, but they are also one of the most confusing and nebulous aspects of evaluating different firms. Tools common to all firms include diagnostic, campaign management, bid management, tracking and reporting. Where firms differentiate is on the origin of the tools. While most firms must use tools provided by search engines, some firms also build tools or license them from third parties.

What positions are staffed for search marketing? While every firm is different, there are ten general types of roles in search marketing that range from subject matter experts to administrative functions. In addition, there is a hierarchy typically consisting of five general position levels in most organizations with each position level having different amounts of interaction with clients.

What are the industry credentials and accreditation services? Unlike professions such as education, accounting or law, there are no required accreditation or credentials for search engine marketers. There are, however, different companies offering training and other learning programs. For paid search, Google, Yahoo and Microsoft offer training and recognition for individuals and firms. The Search Engine Marketing Professional Organization offers instruction for both paid search and search engine optimization.

What pricing models do firms offer? Fee structures vary at each firm and understanding the full cost of doing business is critical for clients. With set fees, clients may be asked to pay a fixed project fee, a fee per month or a fee per hour for the resources involved in the project. For variable fees, the client may pay a percentage of paid search spend to the firm or the firm may earn fees based on incentive programs such as cost per click, cost per acquisition or revenue share.

What is not in this whitepaper? The scope of this whitepaper is how to segment and differentiate between different professional services firms offering search engine marketing. The whitepaper does not offer strategies or tips for implementing search marketing programs. It also does not evaluate specific products that firms may employ as part of its work, nor does it evaluate specific search marketing service firms.

A BRIEF PRIMER ON SEM

The goal of the search engine is to help users navigate quickly and easily to the information the user is seeking. Search engines accomplish this by displaying a diverse set of relevant web pages and content in response to queries from users. Listed below are common terms relating to searches and search engines.

- A *query* is a group of words or phrases typed into the search box by the user;
- A *keyword* is a group of words targeted by the marketer for marketing messages;
- A *search listing* is the title, description and URL displayed by the search engine on the search engine results pages (sometimes referred to as ‘SERPs’).

A search engine typically is represented as a single piece of software. However, there are many components that make up the ‘search engine’. While each search engine is unique, the primary components of a search engine are:

- The *spider* to find content on the web;
- The *index* to store information including the content, its location and relationships, etc.;
- The *algorithm* to determine the order that each web page should be ranked for each query;
- The *query engine* to process each Query and retrieve the correct response from the Index as quickly as possible;
- The *user interface* to display the search engine results pages, and;
- An *advertising engine* which matches Queries and Keywords to display advertisements on the results page.

Search Engine Marketing (SEM) focuses on displaying the marketer’s messages on the search engine results page in response to a targeted keyword. SEM is generally comprised of two disciplines: Paid Search (PPC, which is short for ‘Pay-per-Click’) and Search Engine Optimization (SEO).

Paid search is the practice of implementing and managing advertising campaigns on the search engine results page. **Paid placement** is the results on the page labeled “sponsored links” and for which the marketer pays the search engine a fee.

Search engine optimization is the practice of managing a marketer’s website, digital assets and online presence in order for the marketer’s search listing to appear in organic search. **Organic or natural search** is the results on the page for which businesses do not pay the search engine for placement.

CLASSIFICATIONS

Every firm can be classified according to four key factors: focus, philosophy, clients and owners. Each firm's unique combination of classifications reveals its approach to its current business, future growth and potential for a successful relationship with a client.

Focus

A firm's focus is the first place to start understanding the firm's capabilities. Understanding how a firm delivers search engine marketing in context with other services provides a starting point for comparing each firm to the client's requirements.

Specialist firms focus exclusively on providing search engine marketing services. Within the specialist firm classification, there are three sub-segments which further differentiates each firm.

- *Paid search specialists* focus exclusively on purchasing search, keyword and auction advertising;
- *SEO specialists* focus exclusively on search engine optimization and related services;
- *SEM specialists* offer both paid search and SEO services.

Integrated firms sell search engine marketing services with other marketing services. For example, advertising firms that buy media may purchase paid search within the context of buying all types of online media (display, video, etc.), and a creative agency may offer SEO within the context of a website development project.

PHILOSOPHY

The approach that a search marketing firm employs in its strategies for achieving results is born from its search marketing philosophy. A firm's philosophy is taught from day one to new employees and re-enforced through process, training, compensation and other aspects of the firm's culture.

While every firm has a unique approach and competitive positioning, in the search marketing field, there are two general philosophies into which firms tend to segment themselves. While these terms are used most often in reference to SEO, they can just as easily be applied to paid search.

A firm's philosophy is taught from day one to new employees and re-enforced through process, training, and compensation

A **BlackHat** firm is concerned with immediate success regardless of the rules established by the search engines in its terms of use and other guidelines. BlackHat firms bend and break the rules established by the search engines and opportunistically identify competitive gaps with which the firm's clients can maximize results. Although results may be achieved quickly, they may be short-lived and the firm's clients may face negative consequences from the search engines if the techniques are discovered.

A **WhiteHat** firm focuses on delivering results while ensuring that the client's marketing does not violate the terms of use and guidelines of the search engines. WhiteHat firms work within the confines of the rules to establish practices that will maximize client results without the risk of penalties from the search engines. While the risk of penalties from the engine is greatly reduced and results generally last longer, results may take longer to develop.

It should be noted that a BlackHat firm will include a layer of WhiteHat practices in its offering as a matter of best practice. Balancing the combination of the two provides more stability for the BlackHat program.

On the other hand, a WhiteHat firm may, on occasion, inadvertently employ BlackHat techniques on its client's business. This can happen when a firm's training programs are out of date or if inexperienced staff is assigned to a client's account.

CLIENTS

While billings (ie. advertising budget) or market cap are terms often used to describe clients, most firms also segment clients based on the geographic targeting of the client's marketing and the focus of its business.

Client Footprint

Client footprint refers to the geographical reach targeted by a client's marketing. Small footprints do not necessarily mean less complexity; instead, it means that a different set of skills, tools and experience are required to achieve results. While some firms focus specifically on one footprint, others focus on some or all segments.

Regional or Local clients focus specifically on the immediate area surrounding the business. These companies focus on specific Metro areas or states. Most businesses with a regional footprint have a physical location or are limited by laws or regulations from doing business in other states. Firms focused on this segment are often located in the market where the client's business is located and have specific knowledge of working in that market to achieve results.

National clients target advertising campaigns to all or most of the United States. National clients, including most online businesses, sell products and services in all or most of the US. The complexity of national campaigns vary widely across clients with some campaigns generating uniform results regardless of geography; other campaigns derive advantage from being tightly integrated with local marketing across the targeted area. A firm's historical track record with similar circumstances will inform a client of the firm's ability to meet their national marketing goals.

Global clients sell products and services in two or more different countries. Global clients require expertise for each country targeted as well as a centralized global operations capability. Many firms who service global clients have office locations in multiple countries to provide local expertise, market knowledge and execution.

Client Focus

The client focus reveals what segments the firm has experience servicing, where the firm has built expertise, and how it is positioned to grow in the future.

Vertical specialists focus on one type of client. The vertical may be as specific as a single profession (eg. real estate agents) or as general as a category (eg. ecommerce). Vertical specialists develop specific expertise, processes, tools, and training for servicing the targeted vertical.

Generalist firms do not have one specific client focus, but rather work across a variety of clients. Some firms proactively implement a generalist approach while others have organically grown into a generalist firm. Generalist firms share knowledge across markets to ensure that best practices reach all clients, processes, tools and training.

OWNERS

The SEM space is extremely entrepreneurial with many firms literally getting started in the founder's garage. As the market has matured, numerous firms have been sold or merged with others, while many continue as independents.

Independent firms are stand-alone companies that are either self-funded or funded by independent investors. Most, but not all, independent firms are classified as small business. The client base is typically regional or local but may also include national and global accounts.

Network firms are owned wholly or in part by a parent company. These firms may operate as a subsidiary separate from the parent company or as a department within a larger integrated firm. Network firms focus on servicing national and global accounts and will also partner with other firms in their network to cross-sell services to each other's clients.

SERVICES

Not all firms offering search engine marketing services offer the same scope of services. All firms are expected to offer a strategic approach to succeeding with SEM. They are also all expected to provide a client-centric, high-touch experience for its clients. However, when distinguishing between competing firms, it is important to understand the firm's core capabilities, experience and traditional scope of work.

AUDIT FIRMS

Audit firms conduct analysis and provide recommendations that the client is responsible for implementing. Audit firms offer clients access to experts without the full cost of implementation. While the initial price tag may be lower than other services, the effective cost will likely be more expensive if the recommendations provided by the audit firm are not fully implemented by the client. While many SEO firms focus on audits, paid search firms focusing exclusively on audits are very rare.

SEO Audits

SEO audits are done after the website is built. In other words, if the client has an existing website and is not actively building a new site, an audit firm will evaluate the existing website and the current rankings of the website. Recommendations focus on the existing website's technical structure, content and layout.

While fees for audits are less than other services, effective costs are higher when recommendations are not implemented by the client

A **technical audit** evaluates the technical parameters of the website to identify all issues affecting SEO success such as architecture, content, redirects, bad links, URLs, tags, flash usage, javascript and a host of other factors. The audit will evaluate hundreds of elements on the site to identify issues and recommendations.

Keyword research identifies which keywords should be targeted for optimization. The keyword research is intended to inform the client's writers and content editors of what keywords to focus on.

A **rank report** will be created to establish a baseline of current organic search rankings for targeted keywords on each search engine. Rankings refer to the placement of the client's search listing on the page starting with #1 at the top.

A **competitive evaluation** is conducted to identify optimization tactics employed by the client's competitors and to provide recommendations based on the analysis. A competitive analysis will also identify which websites are competing for position on the client's targeted keyword list and the tactics employed by those websites.

Paid Search Audits

Paid search audits are usually offered by firms who also offer full service paid search. An audit may be offered as a one-time project or as a free "teaser" prior to submitting a proposal. Paid Search audits consist of one deliverable – a Campaign Audit.

A **Campaign Audit** is an evaluation of an existing paid search campaign by the firm's paid search experts. The firm will evaluate quality score, keywords, adgroups, creatives, landing pages, bidding strategies, targeting parameters, analytics and other factors affecting the paid search campaign. The deliverable will provide recommended changes for each aspect of the campaign and the projected results from the proposed changes. The firm will also include a proposal to implement the recommendations and manage the campaign on an ongoing basis.

CONSULTING FIRMS

Consulting firms are very similar to audit firms because the work is done after the website is built and include many of the same initial services. However, consulting firms also offer ongoing services to support SEO. Paid search consulting and paid search audits are essentially the same service and are not covered in this section.

SEO Consulting

The initial engagement with a consulting firm will be much like an audit firm. However, after the initial recommendations are complete, the consulting firm will offer one or more of the following additional services:

Copywriting covers a wide range of activities including creating content for the client's websites, blogs, public relations and other assets. It also includes writing content that is embedded within the code of the webpage and is only seen by the search engine such as meta tags and alt tags.

Link building is the process of acquiring inbound links to the client's website. Links are one way a search engine determines a website's popularity and many firms offer clients the ability to increase the number of inbound links to its website. Buyer beware; many tactics may be short-lived.

Monthly reporting provides the client with keyword rankings, trends and website analytics. The reports show traffic and sales generated from organic search and will include recommendations for next steps to improve results.

Support services provide access to SEO consultants for the client's business, marketing and technical teams. A service level agreement specifies the allowable level of support and the scope includes strategy, ad hoc problem solving and tactical support.

Training is included with SEO consulting for clients to learn about SEO as the project unfolds. Some firms offer formalized training while others incorporate training into its other deliverables.

FULL SERVICE FIRMS

Like audit and consulting firms, full service firms offer analysis and recommendations, but they combine those services with full implementation and management of the recommendations from start to finish.

Full Service SEO

In addition to the services provided by audit and consulting firms, full service firms will provide ongoing support and implementation of recommendations. Full service SEO is usually implemented in conjunction with major changes to the website or complete redesigns. The scope of website development can be extremely broad and range from simple HTML builds to complex ecommerce system development. While there will always be a SEO lead on any full service SEO engagement, the project is so intertwined with the website development project that SEO is a part of each person's job.

Full service SEO is usually implemented in conjunction with major changes to the website or complete redesigns

In **website design**, creative professionals work to balance the needs of website visitors with the needs for successful SEO. Creatives concept and design the site architecture, user interface, layout and content. Creatives also work on concepting and producing **viral marketing pieces** (eg. tools, videos, games, etc) which attract links to the client's website (often called link bait).

When the website and other marketing pieces are ready to go from concept to execution, **Engineers** will write the code to make the website and other applications operational and production-ready. The Engineers are responsible for ensuring that the programs meet all requirements and integrate with all other systems. This phase also includes testing by **quality assurance engineers** to ensure that all code is operating as expected.

IT administration focuses on configuring, managing and monitoring content management systems, hosting, servers and other IT infrastructure that will affect the clients SEO success.

Project Management organizes planning, implementation and resources on the project and is a critical component of full service SEO no matter the size of the project. Managing any build requires skilled project management to manage complex teams, resources, timelines and budgets from concept to successful completion.

Full Service Paid Search

Full service paid search is start to finish management of existing and new paid search advertising campaigns. In addition to paid placement on search results, firms may manage advertising in additional search marketing channels including: local directories, comparison shopping, and other search-related advertising buys. An engagement would include the following:

Planning includes developing keyword lists, writing search listings, creating ad groups, planning budgets, bids, and targeting parameters (time of day, day of week, location, language, etc.) and projecting results.

Setup and trafficking involves creating unique tracking for each placement, implementing the search campaigns onto each search engine, writing contracts with the search engines and setting up billing. If data feeds are required for the campaign, the firm will create, test and implement each feed.

Optimization is an ongoing activity where paid search specialists monitor factors like quality score, rank, traffic, sales, leads, budget and other metrics on a regular basis to ensure the campaign meets expectations. Optimization is done in between formal reporting meetings with the client.

Testing is a planned activity whereby specific hypotheses are created and tested versus a control group. Grounded in statistics, a testing program is designed to identify and isolate factors that improve or decrease performance of a campaign. Whereas optimization is informal and frequent, testing requires more extensive upfront planning and longer evaluation cycles.

Reporting presents the results of a campaign over a specified period of time. Reports include a status update on tasks completed since the last report and planned activities for the next cycle. Reports are usually provided on a weekly or monthly basis. Some firms also offer online reporting access for clients.

Analysis is an evaluation of campaign performance during a specified period of time. Whereas reports recap results and status, analysis focuses on insights and interpretation of results. Analysis is closely tied to testing and is usually presented on a monthly or quarterly basis.

Reconciliation compares all invoices from vendors against actual delivery to ensure that budget has been correctly invoiced and accounted for. Firms conduct reconciliations either monthly or when the campaign ends. In addition to reconciliation, many firms offer **billing services** in which the firm pays each vendor directly and sends the client one invoice per month for all activity.

OTHER SERVICES

Every firm, including specialist firms, offers a unique combination of services to differentiate from the competition. These additional services are usually closely aligned to the firm's core competencies and are logical extensions of its normal work product. Popular service add-ons include the following:

Every firm offers a unique combination of services to differentiate from the competition

Site Analytics Administration

Site analytics is a critical, must-have element for most search marketing programs. It is installed on the client's website and provides extensive data and statistics about website users and marketing programs. Due to its crucial nature, almost all firms will be able to advise clients on the benefits and challenges of the systems currently available in the market. Some firms will also be able to provide implementation.

Landing Page Optimization

Landing page optimization is a service that many firms offer to help clients increase the effectiveness of the client's web pages that their users first arrive at. Improved conversion rates will yield better performance from the campaign enabling the client to achieve more efficient results and greater sales volume.

Firms that offer landing page optimization consulting will create tests, recommend tools and perform the test results analysis. The client will be expected to create the page designs and implement the test on its website. Full service firms will not only provide the consulting services, but also will use designers and writers to concept, design, program, implement and sometimes host tests.

Social Media Optimization

Targeted to social networks and other online social utilities, social media optimization is a practice still in its infancy, but growing in popularity. Currently, there is no standard process or practice for implementing

and managing social media optimization programs. Given the state of the practice, most firms are currently testing and exploring different strategies and tactics. Clients considering these services should review the firm's case studies to understand the firm's approach, definition of success and measurement capabilities.

TECHNOLOGY

With unprecedented amounts of data available to marketers, search engine marketing requires robust data mining and analytical capabilities to achieve the best results. Most firms use software – usually referred to as ‘search technology’ - to help automate workflow and to improve results for its clients. As with any data intensive field, **Microsoft Excel** is a mainstay in most search marketer toolkits, but a number of search marketing specific software packages exist in the market as well.

Exploring the features and capabilities of just one type of search marketing software could fill the pages of its own whitepaper and is not the focus of this paper. The following summarizes the types of applications used by firms and the types of developers that produce them.

Search engine marketing requires robust data mining and analytical capabilities to achieve the best results

TYPES OF TOOLS

Most firms use a common set of tools to manage its services. Some firms use all-in-one tools while others use a collection of different tools to deliver the required capabilities. Regardless of how many tools a firm employs, the interoperability of the firm's toolset with each other and with search engines is critical to producing the most efficient workflow and best analytical data for client success.

Planning and Management

Planning and management tools drive the process of the firm. Its employees utilize the tools list below for everything from research to implementation.

Diagnostic Tools evaluate information from a website or paid search campaign against a set of pre-determined business rules. The purpose is to identify the variance between the client's current situation and the firm's established business rules. A diagnostic tool is used as a starting point to identify areas of the client's campaign that require attention.

Campaign management software provides workflow automation for a firm's process and employees. The software automates repetitive procedures - such as creating unique urls or keyword lists - while also ensuring that its user follows a set process for campaign deployment and management. Campaign management is present in all firms, but the quality of implementation of each firm's campaign and workflow management solutions can vary widely. Understanding how a firm manages a campaign and the complete workflow within the agency provides the client context for evaluating how well organized and prepared the firm is to manage the client's scope of work.

No topic seems to spur as much debate in paid search circles as **bid management**. Specific to paid search, bid management is a feature in campaign management that firms use to establish bids for keywords. The debate about bid management is focused on two core areas of discussion:

- Using free, search engine provided tools vs. paid, 3rd party or proprietary tools;
- Employing rules-based bidding vs. portfolio-based bidding.

All firms must rely to some extent on the campaign management tools provided by search engines

Search engine bid managers are included as part of every customer's paid search account. With these tools, the user sets bids and configures business rules in each search engine's user interface or desktop tool. Once the parameters are uploaded by the user, the search engine automatically manages the keywords based on the rules that the user has specified. A key risk with search engine bid managers is that results can vary widely depending on the firm's process and the specific user's skills in the area of marketing and statistics.

While search engine bid managers are sometimes referred to as "manual bid management", that is probably a misnomer because all search engines provide some automated processes as part of their service. The other reality is that all firms must rely to some extent on the campaign management tools provided by search engines to set up and configure their campaigns on an ongoing basis.

3rd party or proprietary bid managers can be divided into two classes. The first class provides a toolset that analyzes campaign data to make automated decisions or provide alerts based on business rules pre-programmed by developers and statistics experts. This type of bid management helps ensure that campaigns always use a standardized approach to set bids and lowers the instances of user errors. The primary downside of this approach occurs when users 'set and forget' campaigns and neglect other factors of the campaign that may affect results. Because all tools will employ different programmatic approaches to the decision making engines and workflow, clients should ensure that they understand the approach employed by their firm.

The second class of 3rd party or proprietary bid managers lack pre-programmed business rules. This group, while traditionally classified as "automated bid management", do not provide any additional benefit above what the search engines provide. Furthermore, because the developers of these tools are typically less resourced than the search engines, the features of the tools may not be as up to date as what is available in the search engine directly and its use can lead to inferior results for the firm's clients.

Some bid managers do not provide any additional benefit above what the search engines provide

The other facet of bid management discussed by search marketers is the philosophy employed when determining bids. **Rules-based bidding** sets bids for each keyword based on the performance of that specific keyword. Analysis is done by the user or the system to determine what the optimal price is for the moment on any given keyword based on its current and historical performance. The user may set rules that automatically make decisions or they may make changes directly in the system. The promise of this approach is that each keyword performs at or better than expectations.

Portfolio-based bidding sets bids for each keyword based on the collective performance of groups of keywords. Like rules-based bidding, analysis is conducted by the user or system, but instead of looking at keywords on an individual basis, the analysis focuses on segmenting results by group. The promise of portfolio bidding is that an overall campaign will deliver higher volume at or better than budget expectations but individual keyword performance will vary.

It is important to note that users and systems are capable of doing both portfolio and rules-based management and that all systems are not the same.

Tracking and Reporting

Tracking software gathers data and information for analyzing market conditions and performance of a campaign. Tracking software is available to track anything from a keyword's current organic search ranking to revenue generated from paid search to detailed navigation behavior of website visitors. Tracking is the foundation of a successful search marketing engagement because it provides the data required for the successful analysis, optimization and testing of a campaign. Tracking capabilities vary and it is very important for clients to understand the firm's tracking capabilities and limitations.

All tracking software has a **reporting interface** that firms access to download reports and then aggregate within Microsoft Excel or other aggregation tool. Some firms have created separate reporting systems that automatically aggregate data from multiple tracking providers and provide a single interface to users and clients to view and download data.

SOFTWARE DEVELOPERS

Search marketing software is developed by a wide range of companies. The costs and effectiveness of software varies by developer and can significantly affect the outcome of a campaign. It is crucial that clients clearly understand the benefits, limitations and market readiness of the software that its services firm employs while servicing its accounts.

Search engine provided tools are available for most paid search and SEO functions. Google's tools are the most popular but not the only game in town. Most firms use at least one tool from search engines whether it be webmaster diagnostic tools, paid search management or analytics. While these tools are usually free, some firms do not use them because:

- *Multiple Interfaces:* Some tools, like bid managers, only work with the search engine who provided the tool. The result is that users must use multiple tools for the same function;
- *Quality:* Effectiveness of the tools across the search engines can vary dramatically;
- *Privacy and Security:* Some firms believe sharing sensitive client data with search engines is a conflict of interest.

A **3rd party product** is software licensed by the firm from another company that is dedicated to building and maintaining software products. 3rd party products have dedicated development, maintenance, sales and support teams to service clients. While many 3rd party products are run as independent businesses, in some cases, a services firm may offer its tools as a commercial product. Such **proprietary products** are used by the firm's employees to service clients *and* are licensed to other firms for use with their clients.

Proprietary software is an application built by the services firm to be used *only by its employees*. Some firms maintain full-time in-house staff to develop and maintain the software while others outsource. One of the benefits of proprietary software is tight integration into the firm's processes, but reliability and effectiveness of the tool depends on the firm's development acumen and expenditure on development, maintenance and support of its proprietary tools.

Like proprietary software, **proprietary tools** are built by the service firm to be used only by its employees but instead of writing *custom* software, these tools are built using off the shelf software, such as Microsoft Excel or Microsoft Access. Proprietary tools often develop organically by the services teams and usually are not supported by dedicated developers. Proprietary tools may be as simple as standardized templates or very intricate and sophisticated tools to automate workflow and other functions. While typically considered inferior to custom software, proprietary tools do offer flexibility and, for some firms, a superior and cost-effective solution when combined with search engine provided tools.

WORKFORCE

The workforce at each firm is as important as its tools, process and reputation. In particular, the team of people that will staff a client's account can make or break the success of that client's marketing programs. Discerning clients will want to meet their day-to-day team before selecting a provider.

ROLES

There is a wide range of roles that businesses may encounter when working with a firm offering SEM. Depending on the size of the firm, its employees may specialize in one of these roles or they may work horizontally across multiple roles. The roles outlined below capture the essence of a firm's workforce, but individual firms may assign different titles to employees.

Account management is responsible for the day to day management of clients. An account manager's typical focus includes account strategy, project management, client management, contracts and billing.

Discerning clients will want to meet their day-to-day team before selecting a provider

SEOs (Search Engine Optimizers) are the key technical experts on search engine optimization. They are responsible for the strategy, audits, consulting, reporting and ongoing support of search engine optimization projects. They are also responsible for educating clients and integrating SEO across the firm.

Media specializes in planning, analyzing and managing paid search advertising campaigns. The media team is responsible for creating keyword lists, writing ad copy, setting up search engine accounts, managing budgets, setting up tests, monitoring performance, analyzing results and optimizing the campaigns.

Analysis is usually done by the media or SEO professional, but larger firms may have a separate analysis group responsible for creating reports and evaluating overall campaign performance.

Project managers are responsible for planning and resource management of a project from start to completion. In many firms, account managers perform the project management function, but depending on the scope of work, a specialized project manager may be assigned to a client.

Writers develop content strategy and write tags, website content, blogs and other marketing materials.

Designers develop creative and communications strategies, website designs, landing pages and other creative assets for the campaign.

Engineers are responsible for any coding required to complete the project. This may include developing designs into web pages, implementing content management systems, developing style sheets, or other technical activities. Engineers also develop and maintain the firm's proprietary tools.

Finance will be involved with contract negotiations, billing, reconciliation, and of course, collections.

Ad operations is responsible for technical support and integration with 3rd party toolsets such as a search engine's application programming interface (API) or site analytics website code. The operations professional may also be responsible for documenting, implementing and managing the firms processes. In smaller firms, the media team maybe responsible for these activities.

HIERARCHY

No matter the size of the firm, there is a typical hierarchy of position levels prevalent at most services firms. While smaller firms may have a more condensed hierarchy and titles may be different across firms, the overall structure is relatively consistent.

Executives run the firm's day to day activities from operations to finance to client management. Though most executives will participate in seeking new business and maintaining senior relationships with existing clients, the amount of ongoing client interaction that a firm's executives have depends on each firm's philosophy, focus and size.

Directors manage the different departments within the firm. They typically play an active role with the firm's larger clients and a guiding role with other clients. In addition to their client responsibilities, they lead the firm's departments with responsibilities ranging from employee development to process development. They are also responsible for aligning their department's activities with the rest of the firm's activities.

Supervisors or Managers supervise a team of people working on a group of clients or campaigns. These professionals are responsible for the success of their client's business and for the successful development of their direct reports. They are actively involved in the day-to-day business of their clients and lead the strategy and planning for each campaign.

Account Executives, Planners, and Analysts are responsible for the day to day work required to meet the client's scope of work. Part-strategy and part-execution, the implementation and daily maintenance of a client's campaign is managed by these professionals.

Assistants are entry-level employees who form the foundation of many firms' future workforce. These aspiring professionals will be asked to take on many of the routine tasks for the client's accounts. They may be present in client meetings but will most likely be focused on administrative tasks necessary to ensure the client's business is managed successfully.

CREDENTIALS

There are a growing number of credentials and training programs available for search marketing professionals. While there is no official accreditation body for SEO or paid search, certification by the search engines for each search marketer in a firm is usually a minimal requirement for most clients to work with a firm offering Paid Search services. There are numerous companies offering SEO certification services; however, there is no generally agreed upon training, curriculum or accreditation for SEO.

There is no official accreditation body for search engine optimization

The **Google Adwords Professional (GAP)** certification program is a program for individuals to learn about search marketing and how to use the Google Adwords system. The program is focused on paid search and provides an online learning center with lessons, video instruction, sample tests and a certification test.

To become a GAP certified individual, a professional must pass the final exam and be an active Google Adwords customer that spends \$1,000 per quarter on Google. GAP also certifies companies who employ at least two GAP certified individuals and maintain at least a \$100,000 spend per quarter. Google requires re-certification by individuals and companies every two years to maintain GAP certification.

Similar to the GAP program, the **Microsoft adExcellence** program provides free training and certification for search marketing professionals. The focus is on paid search and Microsoft's adCenter product. This program also offers an online learning center with lessons and video instruction. To gain certification, an individual must pass a final exam. The program is currently designed for individuals and does not provide a company credential.

The **Yahoo! Sponsored Search Ambassador** program is designed to recognize Yahoo's biggest customers. Ambassadors receive dedicated customer service, custom proposals and access to industry research. To gain this recognition, the firm must maintain at least a \$10,000 per month spend. Unlike the Google and Microsoft programs, Yahoo does not certify individuals and does not require participating companies to take a certification test.

The **SEMPO Institute** is an organization dedicated to educating search marketing professionals. The organization is run by the **Search Engine Marketing Professional Organization (SEMPO)** and offers courses designed for all knowledge levels from novice to expert in both Paid Search and SEO. The courses are offered as distance learning programs and individuals passing the final exam will receive a Certification of Completion for each course completed.

INTELLECTUAL PROPERTY

All firms have a foundation of intellectual property that they employ in their day to day activities. The strength and scalability of that intellectual property varies across firms and depends on the firms focus on cultivating its own knowledge.

Best practices are the process, methodology and approach that a firm's employees informally adopt as guiding principles. Many best practices are identified through formal case history research and analysis, but many best practices also develop organically through individual experience. Best practices evolve very quickly given the rapidly shifting nature of the search market and communication of best practices within an organization may be sporadic.

Process documents the best practices the firm has formally adopted and communicated as standard practice for all employees. Process involves the identification and implementation of roles, responsibilities, workflow and procedures that affect all work product completed by the firm. Like best practices, process is an ever-evolving discipline but unlike best practices, process usually takes longer to evolve and affects the total of the organization.

A **knowledge base** is the central storage point of all knowledge that the services firm possesses - case studies, processes, best practices, etc. In the best case, a knowledgebase is a formalized central repository of the firm's intelligence such as intranets, wikis or a training regimen and in the worst case, the knowledgebase is stored in individuals heads or in an unorganized formats like email.

BUSINESS MODELS

Firms offering search engine marketing services employ pricing modeled after other marketing services.

A **project fee** is a set fee for a period of time to manage a project from start to completion. Project fees are all-inclusive and clients are not required to pay for overages or other extras unless otherwise specified in the contract. A client engagement may include several concurrent projects or one large project.

Clients should be fully briefed by the firm on all potential charges, billing processes and estimated amounts before entering into any contracts

Time and materials fees are based on billing a specified rate per hour for each resource assigned to the project. The client is also responsible for paying for all materials required to complete the project. All hourly rates and materials are marked up to include profit and overhead. Firms will provide estimated time and materials costs, but the client will be responsible for all charges regardless of the estimate.

Specific to paid search, some firms charge a **percent of spend** fee based on the amount of money spent by the client on paid search for a given month or campaign. There are two dimensions to consider when calculating percent of spend: actual vs. budget, and net vs. gross.

Billing based on actuals means that the client will pay a percent of spend based on the actual amount of money spent for the specified period. This type of billing is calculated after the media has run for the specified billing period. **Billing based on budget** means that the client will pay a percent of spend based on the budgeted amount of money to spend for the specified period. This type of billing does not take into account actual spend and is calculated before the media has run for the specified billing period.

Net budget is the amount after the fee has been deducted; and the gross budget is the total budget including the fee. When **billing based on Net Budget**, the agency fee is added to the total budget amount. The agency fee is deducted from the total budget amount when **billing based on Gross Budget**.

Some firms will offer **incentive programs** that pay them a fee when specific incentives are achieved. Incentives may be tied to clicks, signups, orders, revenue, profit or any other metric agreed upon by the firm and client. The goal for the firm offering this type of deal is to offer less risk to the client and in exchange, to gain a higher margin on their work. The primary differentiator between incentive deals is whether the deal is fee plus incentive or 100% incentive.

In a **fee plus incentive deal**, the client pays the firm a set fee plus additional fees as incentives are met by the firm. The fee typically covers the firm's resource investment at cost and the incentive provides for profit. In a **100% incentive deal**, the firm earns a fee only when incentives have been met. In this scenario, the firm allocates resources and budget at no cost to the client. In exchange, the firm will expect a higher payout when the incentive is met. When offered with paid search, it is often called **arbitraging** because the firm purchases media at a cost guaranteed to be less than what is earned from the incentive deal.

Some firms may institute a monthly retainer or minimum fee. A **retainer** will typically be inclusive of all services and the client will not incur additional fees unless explicitly specified in the contract. A **monthly minimum fee** is the minimum amount that the client will be charged regardless of the amount of services delivered. All fees will be applied against the minimum; if the client's charges do not meet the minimum, the minimum fee will be charged and if the charges exceed the minimum then the actual amount will be billed to the client.

CONCLUSION

In the United States alone, there are thousands of firms offering search engine marketing services and one of the most frequent complaints that we hear from clients is the difficulty in evaluating and differentiating each firm's capabilities, experience and ability to deliver. Though search marketing firms may appear to be quite similar at first glance, each firm may have quite dissimilar strengths and weaknesses; digging into the unique DNA of the firm will help business decision makers make better informed purchase decisions. This paper provide more than 65 ways to classify firms offering search engine marketing services and answers many prominent questions on the minds of marketers and investors including:

- What are the different types of firms offering search engine marketing services?
- How can different firms be classified?
- What is the difference between consulting and full service search engine marketing?
- What tools are employed for search engine marketing?
- What positions are staffed for search marketing?
- What are the industry credentials and accreditation services?
- What pricing models do firms offer?

This paper provides a strong foundation for evaluating different search engine marketing services firms. However, it is important to customize the parameters of an evaluation around specific business requirements for the decision makers. If you would like more information about classifying and segmenting search marketing firms, please contact Thrivepoint at <http://www.thrivepoint.com/contact>.

ABOUT THE AUTHOR

Matt McMahon has worked in search engine marketing since 1996 for clients ranging from pure-play internet businesses to Fortune 500 companies; for consumer and B2B marketing; from brand building to direct response. His client experience includes household names, startups and everything else in between.

Prior to Thrivepoint, Matt was a co-founder of Fathom Online, a full service independent search engine marketing firm in San Francisco, CA. As General Manager, Matt was responsible for building the paid search, search engine optimization and landing page optimization disciplines. He also launched Fathom Online's technology product – Fathom Analytics – and the successful (and controversial) Keyword Price Index™ which measured changes in quarterly keyword bids for a basket of 20,000 general keywords. Matt worked in the executive team at Fathom from its founding in 2003 to its 2007 sale to Geary Interactive.

Matt also has had extensive experience working at search engines. While in product management at Ask.com (2001-02), he focused efforts to transition from display and pop-up advertising to nextgen search advertising - paid placement, paid inclusion and product search. During the time Matt worked at Ask Jeeves, its market cap rose from <\$100M culminating in a sale for \$2B to InterActive.

Matt currently lives in Mill Valley, CA with his wife, daughter and yellow lab.