

# Search Engine Marketing (SEM) – The current state of the issue

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**Abstract:** The aim of the article is to describe specific aspects of Search Engine Marketing (SEM) as an important tool of marketing communication. The article summarizes the theoretical basis of the issue of Search Engine Marketing (SEM), Pay Per Click (PPC) advertising and Search Engine Optimization (SEO). The article also focuses its attention on the market of Internet advertising on a global scale and the issue of Internet search engines. Our aim is to show and evaluate possibilities that this form of marketing can bring while pointing out the pitfalls of the issue.

**Keywords:** SEM, PPC, SEO, Google, Marketing

**JEL Classification:** M30; M31

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## **1. Introduction**

The development of information and communication technologies in the online environment of the Internet hit marketing as well. Marketing communication tools in the online environment of the Internet are under the influence of constant changes. Nowadays we can observe the emergence of completely new marketing, addressing and targeting techniques. Currently, one of the most important form of Internet marketing is online search engines - Search Engine Marketing. This form of Internet marketing combines the use of search engines with tools like Pay Per Click which can be characterized as a paid form of Internet advertising where its user pays only for real visits to his/ her website. This category also includes Search Engine Optimization. SEO strives for the highest placement in the search results through well-arranged website content. It is not necessary to emphasize that the rapid development of the online environment of the Internet offers marketers new and more effective means of implementing and measuring the performance of their marketing campaigns. That is also a reason why in recent years advertising spending in traditional media plunged to horribly.

## **2. Theoretical basis**

The concept of Search Engine Marketing (SEM) is one of the e-marketing components. This tool of the online advertising is an effective form of promotion that increases traffic to your presentations among desired target groups (or in any other variables). SEM has two basic components - Pay Per Click (PPC) advertising and Search Engine Optimization (SEO) (Janouch 2011). Tonkin, Whitmore and Cutroni (2010) states that the marketing activities based on the use of paid advertising on search engines are called Search Engine Marketing (SEM). SEM is a method that focuses on buying ads appearing in search results.

It should be stressed that, unlike those users who use blogs and social networks, users using search engines have a clear goal - finding a specific information. If a search query is related to the business activities of a company, the company wants to be found in the search results (Halligan a Shah 2014).

Search results can be divided into organic and paid. Since getting into the first page of organic search results is a tedious and difficult process, many companies are trying to avoid process and pay for ads which would get them there (Fishkin a Høgenhaven 2013).

According to Scott (2010), using paid advertisements in the search engine is more effective and therefore a significant portion of the marketing budget of a business entity should be allocated there.

According to Rozhoň (2009) the effectiveness of online campaigns is declining steadily due to increasing competition. This situation is caused mainly by price increases of advertising and an increasing number of advertising spaces in one place (Internet users are somewhat immune to ads). According to Parker (2013) PPC advertising is the solution. This type of advertising is displayed only to people who are looking for information via search engines, or when viewing content. The user is then displayed an ad related to that subject matter. PPC is currently the most widely used method of Internet advertising and an effective online tool designed to promote products and services online.

This form of advertising is based on a simple system – in addition to organic search results users are displayed ads also when searching for their key word in a search engine. This kind of advertising is called a search ad. In contrast, there is a search network and content with embedded ads. Its essence is to display ads to users as they browse websites while ads are related to that page. However, the advertiser pays nothing for displaying an ad. A payment shall be made only when a user clicks on the displayed ad. Therefore the advertiser pays only when a visitors clicks on the ad (Mitchell 2012).

Janouch (2010) states that the nature of PPC advertising is totally different when compared to advertising on television or in press where the advertiser pays for the people who are not interested in the product. According to the author, PPC advertising is one of the most effective forms of online marketing communication. Its targeting and relatively low cost compared with other media are factors which place PPC advertising to the forefront.

We agree with Broža et al. (2011) who states that in times of crisis this approach can also help smaller companies that lack the resources to implement highly expensive advertising campaigns. Practical examples show us that many of them run crisis management only when it's too late.

According to Janouch (2011) the major advantage of PPC advertising is the fact that contextual ads are displayed only to users who search for terms related to the actual product, service or brand. This way an ad will show only to those users who are most likely to like the ad/ find the ad useful. The author emphasizes that by displaying ads relevant to one's search history it is far easier to attract visitors who eventually may turn into new customers.

According to Janouch (2010) the benefits of PPC contextual advertising could be summarized as follows: pay only for visitors, highly accurate targeting, high level of control to manage a campaign, easy to evaluate.

Karliček and Král (2011) define the term SEO (Search Engine Optimization) as a technical discipline that helps improve the position of a website in search results of Internet search engines. We agree with Horňáková (2010) who claims that the web optimization is based on key words. The key word is the most significant word specifying what a company does. For example, if a business entity manufactures windows, the most important key word would be a window. One must not forget about conjugations, inflections and phrases made out of the key word. In this case one must think like a customer.

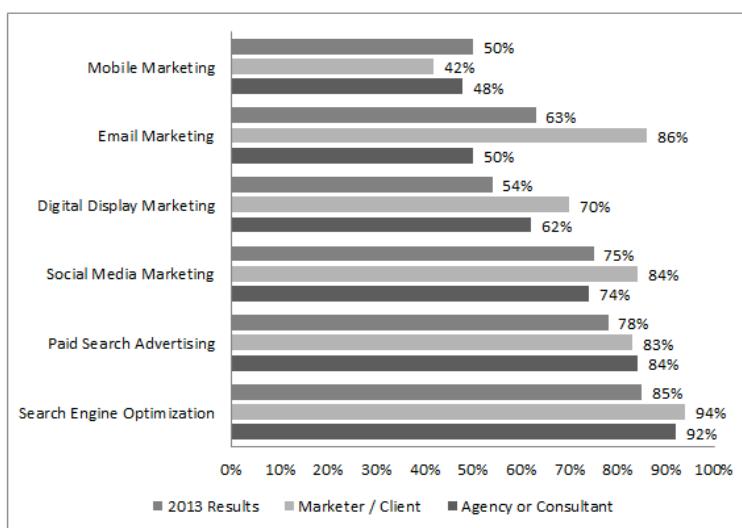
According to Scott (2010) SEO represents a set of principles, tools and techniques for placing the organic content in search engines. SEO is different from traditional advertising media (TV or radio) since it does not disturb its target audience.

SEO activities are aimed at optimizing web presentations in order to achieve the best possible position in the search results when one types the specific keyword. If a website is well optimized, a link to the business entity's website may not only appear on the first page of search results, but more importantly at the forefront, thus attracting more traffic and generating revenues (Horňáková 2011).

### 3. The current state of the problem

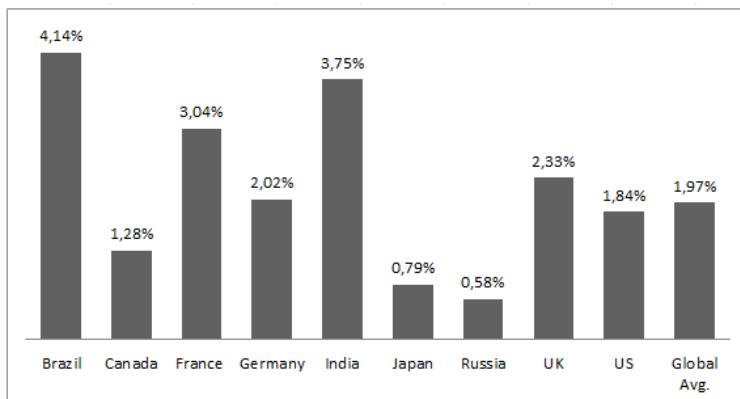
The development of marketing activities in the online environment goes hand in hand with the expenditure growth related to SEM. This trend is confirmed by the results of an analysis conducted by Forrester Research Interactive Marketing Forecasts (2014), which in June 2014 published the results tackling the issue of the use of online marketing tools on US market. The analysis forecasted that the Internet (interactive) marketing segment would in 2016 generate expenditures of over \$ 76 billion, as compared with the same period of 2015 it represents an increase of 12.86%.

In this context it should be noted that the projected expenditures for the online communication on the overall marketing budget for 2016 was set at 26%. SEM dominates the group of the evaluated online marketing tools throughout the whole reporting period 2011 - 2016. The outlook for 2016 predicts an increase in spending when compared to 2015 of about 9.48%. It is also necessary to point out the trend of increased spending on online marketing where the expenditures between 2011 and 2016 (forecast) rose by 62.50%. With regard to the share of the online marketing on the overall marketing budget of the research subjects the study recorded a clear rise of about 10 % to 26 % in favor of online marketing.



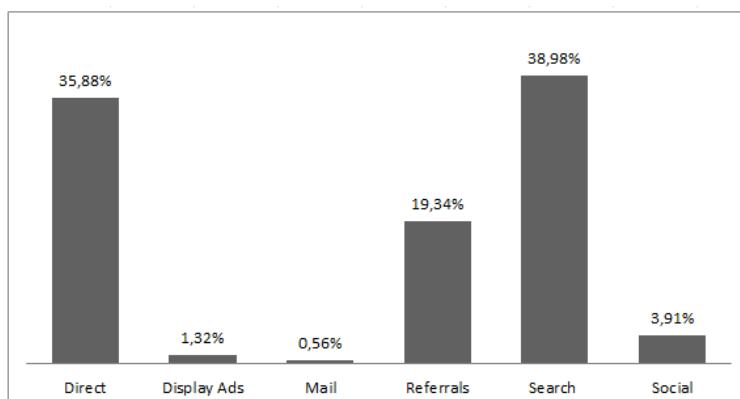
**Figure 1. The use of various online marketing tools**

Yet another analysis that confirms the importance of the Search Engine Marketing (SEM) is an analysis carried out by SEMPO (2015), which outputs are based on the responses of more than 500 respondents (marketers, employees of advertising agencies and marketing consultants). Data were collected at the end of 2014, the results of the analysis were published in the first half of 2015. As the Figure 1 shows, 84% of respondents (advertising agencies and marketing consultants) actively use Paid Search Advertising. As for the marketers Paid Search Advertising is used by 83% of them. An interesting finding is that SEO (Search Engine Optimization) is generally the most popular form of online marketing; specifically, 92% of agencies and marketing consultants and 94 % of customer marketers use this form of online marketing.



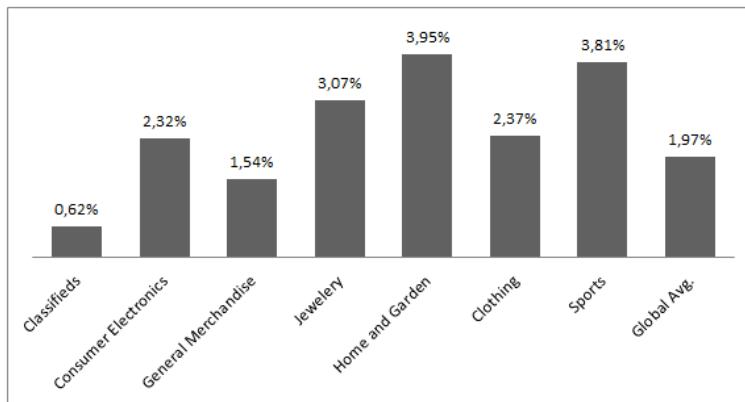
**Figure 2. Podiel návštěvnosti prostřednictvom reklám plateného vyhľadávania (PPC)**

With regard to the published (March 2016) analyzes by the company SimilarWeb (2016), whose outputs are based on more than 3 billion user actions a day, it can be stated that paid advertising on search engines is most effective in countries such as Brazil (4.14%) India (3.75%), and France (3.04%). Below the global average of 1.97% are countries like the United States (1.84%), Canada (1.25%), Japan (0.79%), and Russia (0.58%). Countries that fall below 1% include Japan with a share of 0.79% and Russia with a share of 0.58%. On the other hand, the countries in which this form of marketing is the most effective include Brazil (4.14%) and India ( 3.75%).



**Figure 3. The share of individual sources on the total traffic for entities operating online**

The above described analysis by SimilarWeb (2016) also focused on traffic patterns found on the surveyed websites of business entities (Figure 3). The results showed that the most traffic come to a website from search results (Search; paid and organic visits) - 38.98%, followed by direct visits - 35.88%, referral traffic through other websites - 19.34%. An interesting finding is that the proportion of traffic coming via social media is only 3.91%. Banner advertising is even less effective, it attract only 1.32% of traffic. The lowest proportion of 0.56% was recorded for email marketing.



**Figure 4. Paid Search - Share of Traffic Per Category (Share as a percent of all website traffic sources)**

Following the above analysis of the results by SimilarWeb (2016) we have to point out the structure of the share of paid traffic for individual categories of goods. According to Figure 4. the global average (1.97%) was surpassed by the following categories: Home and Garden (3.95%), Sports (3.81%), Jewelry (3.07%), Clothing (2.37 %) and Consumer Electronics (2.32%). It should be noted that the commodity categories like Home and Garden (3.95%) and Sports (3.81%) reached the highest numbers. On the other hand, the lowest share of 0.62% was recorded by the segment Online classified Ads.

#### 4. Conclusion

The issues of SEM and marketing activities in the Internet search engines are now an integral and important part of marketing strategies of marketers worldwide. Growing investments in the field of online marketing are the evidence of the relevance of online marketing. Its popularity and increased usage of search engines and also users' confidence in these services makes it an attractive form of a paid advertising.

We would like to point out that the issue of SEM, specifically Paid Search dominated by PPC advertising and SEO, is an integral part of internet marketing. The importance of these instruments is currently hardly questionable. The current importance of this issue is evidenced by several selected analyzes and studies by renowned organizations such as Forrester Research Interactive Marketing Forecasts (2014) SimilarWeb (2016) and SEMPO (2015).

Finally, it should be mentioned that in the light of changing user habits regarding the use of online services and continued progress in information technologies, the interest in this area of marketing will grow without a doubt. Continuous developments in this field are being driven by service providers themselves who in turn benefit from those who are interested in ads. Marketers are in turn motivated by relatively low costs, opportunities to optimize their campaigns and analytical features. The potential of search engines, in our opinion, has not been fully exploited yet, and it will be interesting to see how this ambitious marketing area will develop in the future.

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