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What Does A Recession Mean For Your Search Program?

by Chris Copeland, Friday, Jan 25, 2008 10:16 AM ET

BY MOST ACCOUNTS, THE U.S. economy is about to enter the 12th recession since WWII. The last came in 2001 following the attacks on 9/11 and roughly a year and a half after the dot-com-fueled stock market reached its peak and began its rapid decline through the bubble bursting. Now, we find ourselves inside another economic downturn where the housing market and the lending institutions that support them have both been thrown into upheaval. It is also the first recession since Google's rise to prominence. In 2001, Google's market share was only 12%; now it is over 60%. It raises the question: *Is Google and search at large a recession-proof business?*

Last week, JP Morgan Internet analyst Imran Khan held a conference call with Kevin Lee, Executive Chairman of Didit, to discuss the Q4 findings in the search marketing space. During the call, Lee noted that search volume declined earlier than expected in December (Dec. 17 vs. Dec. 20). He countered by stating that many Didit clients are self funding due to hitting ROI targets. Noted blogger Henry Blodget pointed out that this is often the argument against search being recession-proof: ROI targets are met, therefore, advertisers will naturally keep spending. He also cited that if the first point -- slowing query volume impacts the ability to hit ROI -- is true, then search won't be recession-proof after all. Because even if your ROI is good, if the search volume dries up, then advertising dollars will follow, leading to a dramatic impact on the bottom lines of Google, Yahoo and the rest of the pack.

So, let's play out that argument. *What can be done to make your search program recession-proof?*

Consumer Intent Driven by Consumer Sentiment

The numbers don't lie. Consumers are feeling less and less bullish about the economy. The Consumer Confidence Index has been on a steady decline since June, and despite a slight uptick in December, the most recent report stated "Consumers' appraisal of present-day conditions continues to paint a dismal picture." The same group



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publishes an Internet Barometer that highlighted in its December report what may be necessary for advertisers to continue to draw the crowds. "Bargain hunting shoppers account for 44 percent of shoppers who have made an online purchase in the past three months, up from 41 percent a year ago."

This learning, combined with their assessments for the holiday season where 90% of consumers said free shipping would generate more spending, and 73% said special offers or deals not available in stores would entice purchasing, all dictate potential strategies for the upcoming months. Whether it is unique product offerings or more deals and discounts, a shift will be needed to attract and maintain consumer engagement in this economy. Consumers are being more judicious with their spending, and it is imperative to utilize the low-cost vehicles like search to maintain contact with them.

Mitigating Supply & Demand Challenges

Investment advisers speak of the virtues of diversification to ensure that when one market sector falls, your eggs are not all in the proverbial basket. There is no greater tool for search marketers in efforts of diversity than SEO. When query volume declines in paid search, the general reaction is to bid more for the remaining volume. When supply is short, it becomes more imperative to rank well, and often demand forces companies to pay for those rankings against other competitors. A properly developed organic search strategy can alleviate this dependency. When a company launches a proper SEO program, it should include optimization of all digital assets to ensure that regardless of the type of query, a media option can be returned -- be it in text, video or image format. The trick is quickly identifying areas where the paid price point is leading to lower return and developing a plan to enhance your organic placement, while being able to reinvest in cheaper paid areas of your program

TV to the rescue

There remains no better way to reach the masses than through TV advertising. Super Bowl ads fetch \$3 million for 30 seconds' worth of broadcast time. And given the reach and audience composition, it is worth every penny -- when done properly. We've done research showing that TV advertising has a dramatic impact on overall query volume. Given the declining query volume issue cited by Lee and the upcoming Summer Olympics and election coverage, there may be an opportunity to invest heavily in television to counteract some of the volume challenges. Likewise, staying attuned to competitors' advertising strategy for TV -- and even digital advertising -- may provide insights into likely spikes in the generic keyword marketplace and allow for opportunistic bidding.

Since early November (just 10 weeks ago), Google's stock has fallen from nearly \$750 a share to under \$550. This drop of 23% has been part of an overall market fall which has seen the NASDAQ lose nearly 19% and the Dow off 12%.

Are we truly headed for a recession? The answer appears yes. Will your search program be recession proof on its own, maybe? But as Clint Eastwood once wondered aloud, "Do I feel lucky? Well, do ya, punk?" If not, then putting a plan in place now that contains the

strategies above may be your saving grace.

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