

An Interview With Patrizio Spagnoletto, Senior Director of Marketing Yahoo! Search Marketing

Hello, my name is Lon Safko, co-author of *The Social Media Bible*, published by John Wiley & Sons, the most comprehensive book every written on the subject of Social Media. Today we are here with Patrizio Spagnoletto, is that correct?



PS: That's correct.

LS: He is Senior Director of Marketing for *Yahoo! Search Marketing* and we are going to be speaking today about *Yahoo! Search Marketing* and *Social Media*. So Patrizio, it is great to have you here today. Thank you.

PS: Thank you!

The Yahoo! logo in its classic purple font.

LS: Can you tell the listeners a little bit about yourself and what you do over at *Yahoo!*?

PS: Sure. I have been with *Yahoo!* for about seven and a half years, and in my current role I manage the marketing team for the search-marketing product, which is basically the product where small and medium-sized businesses (or businesses of all sizes) can be listed in *Yahoo! Search* results through this product.

LS: Okay, so we are basically talking about the department that actually runs the sponsored-link section of Yahoo.

PS: That's right; and to be more specific, it's the marketing part. So our team really focuses on the awareness of the product, customer acquisition/retention, and just making sure that our customers, overall, are getting the most out of their investment with us once they start participating in this "sponsored-search world", and that happens through education, communication, and innovation of products that we bring, for their products or features of the current search product.

LS: And I have to tell you you people are awesome, especially when you combine that with your *Yahoo Store*. I was one of the silent authors on two books that we just did about *Yahoo*, *Creating Your Yahoo Store* and *Succeeding at Your Yahoo Store*. And they have been very successful books and it is because of the partnership with Yahoo and teaming, really, with the SEM part of it, or Search Engine Marketing. Can you tell our listeners (if they don't understand) what SEM, or Search Engine Marketing is? Can you explain just a little bit how that works?

PS: Sure, let me do that by putting our "consumer" hat on. When somebody goes to a search engine on Yahoo.com and searches for, let us say, cars (more specifically a used Honda), what the user has just done is show an explicit intent that are looking for and willing to purchase that specific product. Now if you flip that and put your advertiser hat on, that is probably the single most qualified lead that you will ever be able to receive. And that is because unlike other marketing medium in *Sponsored Search*, it is the user that tells us that they are interested in buying our products and services. And this all happened because of the search engine results page.

LS: So the cool thing about *Search Engine Marketing* is that you are actually getting the customer when they are in, pretty much, the buying phase of the buying funnel and they are telling you very specifically by the words that they are using exactly the product that they are looking for and that they are ready to buy.

PS: That's correct.

LS: So this is significantly more effective than any other kind of marketing (such as newspaper or magazine, radio or television), where you just throw it out there and hope that it hits the ears and eyes of the person at the exact moment they want your product.

PS: That's correct, and in fact when you think about it in context of direct response, (meaning what a business wants to increase their sales), I really do not think there is any other marketing medium out there that is as affective as *Sponsored Search*. And we are doing a lot of research to justify a statement like that.

Having said that, marketers have multiple objectives. You know, whether it is "response" (and Sponsored Search does a great role there), or if it's "awareness" (or other mediums like television and the offline world; or graphical ad display which obviously I was a major player in), it is really the combination of the two that makes a business be really successful. Where the sum of the two is much greater than the individual parts.

Yahoo is really in a unique position in that it is truly the only business that can offer the two products on an own-it/operated-it site. I mean on the *Yahoo* site you can buy banners and you can buy sponsor search; and therefore, really create, what we call, a *360 Campaign* where you can surround the user with both graphical and sponsor search.

LS: See, I love that synergy. And again for the users that are not familiar with banner advertising, can you just give us just a few words on what that is, and how you do that?

PS: Sure. Banner advertising is what most of us see when we go on, pretty much, any site, if you will. It is those graphical advertisements, sometimes they are video, or what we call "rich media," or sometimes they are just static images. But it is a graphical way, if you will, for an advertiser to convey their message. And *Yahoo's* invention is a leader in this and has been since the inception of *Yahoo*. And we are very good at targeting users through some of our own proprietary data on the back end. This is done in the way that we are able to target (whether it be demographic, whether it be behavioral, or graphic), or just some of the ways that we are able to match graphical advertisements with the users. Because online search is where you have the benefit of the user actually telling you what it is that they are looking for. With "graphical" it is really about the more general persona of a person that is visiting the site.

LS: Okay, so as an entrepreneur, a small business, even a medium size business, I can actually go in and purchase banner ads that show up on sites around the world.

PS: You can. What we typically ask our small-business customer is, first and foremost, what is your objective? If their objective is really that they want direct response, that is a clear signal that they should really be investing at least their first trunk of money to *Yahoo Sponsor Search*. And that is because, as you mentioned before, that it is by far the most effective medium to garner more sales. And for *Sponsor Search* it is very easy to sign up for it on *Yahoo*. You can do so online through a simple process, or you can, literally, just call in. We have reps that can help you go through this final process, the latter honestly being very unique to *Yahoo*.

One of the things that we pride ourselves on is really helping our prospective customers by being, literally, just a phone call away from them.

LS: So you make it really simple for somebody who wants to start their own key word ad campaign. You have online, which is step-by-step, and then you actually have people that you can phone into.

PS: That's right. And when you phone in for the sign-up process, what they will do is they will walk you through the actually online sign-up form, but with the advantage of just giving some of the "best practices" of thinking through. For example, what key words to choose or how to write an effective description. So that is available right now.

LS: Well, that's incredible help because many people do not do it, simply because I think they are just afraid because they do not understand it. And they think that it is complicated and it is expensive. But if you are there to help them, step-by-step, that's a heck of a service!

PS: Yeah, well we think it is extremely valuable because, as you probably know, small businesses are experts at what they do, but they are not necessarily experts at advertising, let alone *Sponsored-Search Advertising*. And so we feel it is almost our responsibility, (and to be honest with you, it is in our best interest) to make sure that these customers get set up correctly the first time around so that they can start receiving the best results right off the bat.

LS: I love that. I mean that is really good customer service and that's an expensive form of customer service, to have people on the phone there helping you step-by-step.

PS: Well, we believe in it, so as long as it extends the trust of the customer, I think that it is something that we will continue to do.

LS: That is really important, that's great! Just a sidebar; didn't *Yahoo Search Engine Marketing* use to be called *Overture* a few years ago?

PS: That's right. Actually, you can trace it all the way back to a company that was called *Go To.com*, which started in the late 1990's. That company that we branded to *Overture* which subsequently was purchased by Yahoo, and then re-branded to *Yahoo Search Market*. So we are, through their [08:26.7] days, quite honestly the pioneers of paid search. We are the ones who invented the category which is now a category that represents more than half of [08:35.0] spending. So it is something that is a good thing for us to think back on

LS: That is significant and historical over at Yahoo!

PS: That's right.

LS: When you talk about SEM, and again I think a lot of people are afraid that it will cost a lot of money (because it can, kind of, run away), but isn't it really inexpensive and very cost-effective? And isn't it simply an auction-like setting where you are bidding against other people on words? But really we are not talking about a lot of money. And if somebody clicks on it, you don't have to pay anything. Is that correct?

PS: That's correct. So our model is what we call a "pay-per-click model" frequently referred to as PPC. So the first comparison is to, pretty much, all other mediums, so let's say you are buying a newspaper ad or anything that is offline. There is a fixed cost to those purchases, which you may or may not recuperate, depending on how many people actually purchase your products. So in a newspaper, you will buy a half-page for, say \$1,000 (I'm making up these numbers, of course), that is a stock cost, and you are going to try to make it up.

Where as with *Yahoo Search Marketing*, in a PPC or "click" model, you only pay when somebody actually clicks on your listing on the *Yahoo Search* results. And the price is not set by us; it is actually set by the advertiser. And this is what you are referring to as a "bidding mall". If you think of every *key-word marketplace* as exactly that (a market place), advertisers will bid to be listed in those search results. Now it is important to know that it is not just how much you bid that determines your position. There are other factors in there, including the quality of the listing, and that is because we want to make sure that the experience for the users is optimal. So "quality of the listing" means we want to make sure that it creates a "relevant result" for our user. And we reward or we penalize if the listing is not good.

LS: And that is a really good point, too, because really Yahoo is famous for returning relevant searches; and the more relevant the search is, the easier it is for the customer to use, and that is really where you get customer retention. And if you apply that to the advertising that means that if I search for a particular term the advertising that is going to come up is really going to be the most efficient and best advertising that is going to suit my particular needs. Is that correct?

PS: That's exactly right!

LS: Oh, okay! So really, in this bidding-type situation you are only just paying a few cents more than what you are competitor's are willing to bid, if you are willing to do that.

PS: Well, yes and no. If all listings are created equal, meaning that the quality of each of the listings is exactly the same, then the amount you bid is really what will determine who shows off first, if you will, and second and so on and so forth. But I put that caveat of the listing quality because it is a really poignant one. So let me given an example and an extreme one.

Let's go back to our used Honda car. If I was an advertiser and my listing says, "Buy the best car ever, at my site now" and by contract your listing said, "Quality used Honda cars at reasonable prices" my guess is that your listing is of a much higher quality than mine is because it speaks specifically to what the user was looking for.

LS: Sure.

PS: And as a result, even if I am bidding, say 60 cents per click and you are bidding 20 cents per click, you may actually show up higher than I may because of the quality of your listing. And, again, all the numbers are completely fictitious so this is just to prove a point.

LS: That makes a heck of a lot of sense. How do you...during the dot.bomb, during 1999–2000, we had our *Yahoo Store* and, in fact, we were one of the earliest people to actually have a Yahoo Store, and the model changed from impressions to paper click because we all thought that we were going to get rich on impressions.

Isn't it a cool thing, too, about this that even if somebody doesn't happen to click on your link, you are still getting that branding; you are still getting those impressions?

PS: Absolutely! Absolutely, because it becomes even more important when you combine it with our display advertising, because it is multiple impressions that the user sees. So if you imagine a banner that talks about your used Honda car sale, and then actually apply it finally to a search query, and then a quest see your listing and recognized the name of you company because they have seen it on a banner. That's what I was referencing to, the two pieces really working hand- and -hand to increase not only the awareness of the brand, but ultimately in a product like that, the click-through rate and, obviously, the sales that follow.

LS: Excellent. So if somebody wanted to get started, they can just go to *Yahoo.com*. Is it difficult, is it expensive? What is actually the process, in just a few words?

PS: Sure, so if you go to *Yahoo.com* there is a couple of links that will take you to a sign-up process. The easiest one is at the bottom of the page. It is *Search Marketing*, so very descriptive. And at this place you will go through a couple of pages that will help you understand what the product is about, as I have done for you now. There are, at the core, really four steps.

The first one is targeting. So it is understanding whether you want your listing to appear to the entire nation or a specific geographical component, or area.

The second one is choosing your keywords. So the used Honda is a perfect example of what we mean as a keyword.

The third is determining how much you want to bid. So back to your example of your pay-per-click, and we refer to that from the advertiser perspective of "as your bid".

And then last but not least, obviously, is the usable budget, the marketing budget.

In addition, with *Yahoo Search Marketing*, you can start your campaign for as little as \$30. Although I will be honest with you, we encourage advertisers to not pay down at that limit, not because we want them to spend more, but quite honestly, it is because in many categories today they have become fairly competitive. So we want our advertisers to make sure that they have enough money in their accounts so that their listings appear and getting enough "click-through"-ing so that they start to get the returns that they are looking for.

So it is one of those models where you have a little bit of attriciencies of scale, and if you spend a little bit more you actually see a lot more return. And by the way, when I say a little bit more I do not mean in the thousands of dollars. For most advertisers, honestly, a couple hundred dollars is more than enough to get the feel of how this process works and then start deciding if they want to invest more in it.

LS: That is absolutely true, too. Is there some kind of "sweet spot" that I hear about? And that is if you pick one word and it is really general, everybody is trying to buy it and you pay a lot for it and not get a good rate of return. However, by adding a second, third and even sometimes a forth word, you can get this "sweet spot" that is very specific and possible less expensive per click?

PS: Sure. So let us go back to our example. If somebody types in the keyword “car” that is an extremely broad word; and so if I am selling used Honda cars where if I put my listing under the keyword “car” I am going to get all sorts of people and not necessarily all of them will be looking for what I have to sell.

However, if I choose as the keywords “used Honda cars” then almost by default I am limiting the queries (or the users) to the ones who are looking for exactly what I have to sell. Now there are two benefits in doing so.

The first is (what I just mentioned) a much more qualified prospect for you. And the second is, from the planning perspective, terms that have two or more words in a keyword phrase are, generally-speaking, a little bit less expensive than what we call “head-turns to our cart”.[17:04.8]

Therefore, if you combine the two, you are getting better-qualified leads at a lower cost and that is really the best of both worlds for advertisers.

LS: So is there any surprise why Yahoo! Search Marketing is as successful as it is, and newspapers and some of the other conventional mediums are trailing off. You spend less but get more affective advertising.

PS: I try not to “put down” some of the other mediums, but when we do our own marketing, here we obviously use our own product and our marketing team; and I can tell you “hand’s down” that this is the most cost-effective medium for us.

LS: And I totally agree. As I said earlier, I have had a store with you for almost a decade, and when I first started SEM (Search Engine Marketing), I really was not too sure about it. And this was because, in my career, I was comfortable with all of the other conventional mediums. So we had set up this program and we put some money into it; and I have to tell you “right out of the gate” and every day for the last 10 years, every dollar that we put into you, we get between a 300 and 600% rate of return on that investment!

PS: Yes, and I will tell you that is not that uncommon. So if an advertiser knows what they are doing (and I really emphasize that); because there are a lot of advertisers who come in with the expectations that they can set up an account in 10 minutes, and then all of a sudden see sales fly. That is not going to happen, I will tell you that right now.

But if you know what you are doing (and by that I mean really taking the time to learn the account and the interfaces, and the teachers are there at your disposal) and take the time to manage it, then you will see the returns that you are designing. We have countless advertisers who see those on a daily basis, which is, quite honestly, why they stay with us.

And going back to the objectives of our team, this is to make sure our advertisers really do, clearly and simply, understand how to optimize their account.

LS: So you mentioned the word “manage” and that, to me, says that it is probably a good idea not to just go after one set of keywords, but to set up multiple keyword accounts. And this is so you can switch the words around and put a little bit of money into each of those and hit it from different angles. Is that what some of your customers do?

PS: Yes, I mean what most customers will do is they will set up with a single account, or a single campaign, if you will. They will choose a few keywords and use them as a starting point for their learning. So in most accounts 20% of your keywords will drive 80% of your sales. So if you look at the keywords that are being most effective for you, then what you will want to do is the next natural step. That is to start thinking about keywords that are closely related to the ones that are best performing. That is how you build out your keyword portfolio.

Another thing that you may do is, let's say, you are a retailer and you sell everything from tennis shoes to fishing poles. You may want to start with your tennis-shoes piece and create a campaign for those, and then you get to understand how it works there. Then create another campaign for your fishing pole department, if you will, where the keywords had not "bucketed" into that campaign. So you can manage the two almost like a portfolio of your various products.

New advertisers take it easy, start slow, start with 15 to 20 keywords and a moderate budget, and then grow as you learn how to best service their product.

LS: And that is really great advice. I taught SEO/SEM in about 100 cities each year for the last several years, and I bumped into somebody in Portland one time, that was actually managing, simultaneously, over 150 keyword campaigns.

PS: Yes!

LS: And he was successful at all of them!

PS: That's right. I mean we have advertisers who manage, literally, thousands and thousands of key words. These are obviously much more sophisticated advertisers, and when you get to that point there are tools that are available to you, (whether they be offered by Yahoo or third parties) that can help you manage such volume in a more efficient manner.

LS: And that is a really good point, too; tools. I mean you likened doing Search Engine Marketing as similar to the management of a portfolio of stocks and bonds. Do you provide some tools so that we can monitor what the "click-through" rates are and what keywords are performing better than others are?

PS: We do! In our account-manager platform there are a variety of tools and tracking mechanisms that you help you understand everything from which keywords drive the most "clicks" to which ones drive the most "sales", to your "cost-per-sale", and everything in between. We really want to make sure our advertisers have those at their disposal, because frankly they need action to get a "success", whether it be a sale or what ever it may be.

LS: And those tools are free?

PS: They are!

LS: How can you go wrong? Again, we are talking about advertising where, if for some reason nobody "clicks" you do not pay anything, and all the tools (the entire program) is 100% free.

PS: That's right! Which is why we encourage and, you know, represent opportunities to encourage as many small and medium-sized businesses to come on over to Yahoo.com and click on that link on the bottom of the page and give it a try. We are here for them.

LS: I love that! One last question on this subject is about fraud. I know a couple of years ago when Search Engine Marketing became really popular, competitors were sitting there just continually clicking on your link to burn up your budget. Do you have systems in place to protect us from that?

PS: We have more systems in place than I think you probably even care to know, and quite honestly the vast majority of them I cannot really speak of, because I do not even know the details. As you can imagine, we want to make sure that the "Fraud Team", if you will, is continuously and very actively looking at patterns to protect your advertisers from the activity that you just described. It is something we, and I think the industry as a whole, takes extremely seriously.

LS: And I really appreciate that you work that hard to protect my budget, because especially with the entrepreneur and the small-business person, it is critical to us. However, no company really wants to lose money, so it is really nice to know that you have an entire Fraud Division that keeps an eye on this.

One other thing; success stories. Can you mention any statistics or companies, something that you can quote, that uses SEM and has had some success with you?

PS: There are a few companies that we can talk about. I mean there is anywhere from big companies like "Lending Tree" and "Amazon" all the way down to small companies that you probably never heard of; but probably the better statistic is that we really have hundreds of thousands of advertisers with us today. And like I said in the beginning and I will say now, our aim is to wrap it up and to have you stay with us, because we make it worth their while by driving up the sales that they are looking for.

LS: Perfect timing! It is time to wrap up! Is there anything else that you would like to share with our listeners about Yahoo! Search Marketing?

PS: Give us a try! I think you will be really satisfied!

LS: That's awesome! So what is that weblink again, so that they can get started with their campaigns?

PS: www.searchmarketing.yahoo.com.

LS: That's really easy!

I would really like to thank Patrizio Spagnoletto, Senior Director of Marketing for Yahoo! Search Marketing, for being with us here today.

Thank you so much for being here!

PS: You are welcome! Thank you!

LS: That's great!

This has been Lon Safko, the co-author of *The Social Media Bible*. Be sure to check out our other valuable Social Media tactics, tools and strategies that can be found in *The Social Media Bible* book and its companion website, www.thesocialmediabible.com. And for more information about me, Lon Safko, please go on over to my site at www.lonsafko.com.

And again, Patrizio, thank you very much for being here today.