The Atlas Rank Report:
How Search Engine Rank Impacts Traffic

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Introduction

Search engine marketing is the fastest growing sector in online marketing[1], and more and more people are looking to the web when making both on- and offline purchase decisions[2]. However, search engine marketing can be highly complex, as several factors drive the overall ROI of a marketer's search engine marketing investment.

The research presented here will examine how one key factor —search engine rank—impacts traffic to a marketer's website. With this knowledge, you will be better equipped to make strategic decisions about search advertising and tactical decisions about specific keywords.

Contrary to a somewhat popular belief, search engine marketing can be very expensive. As an illustration, Figure A below provides a snapshot of the cost per click for the top positions in Overture for the search phrase 'search engine marketing'[3].

> **Rank Matters**
>
> One should expect a 10x difference in traffic between the 1st and 10th ranks.

Rank	Cost
1st	$10.00
2nd	$8.00
3rd	$5.26
4th	$5.25
5th	$5.01

Figure A

What do these positions get you? Overture provides search results to Yahoo, MSN, and a host of other portals and web properties. The top positions in Overture will appear on the first page of results on these sites, though the specific number of positions varies by site. Google does not reveal keyword bids, but top positions in Google AdWords are comparably expensive.

So, given that you only have to pay when a person clicks, isn't $5.26 a much better value than $10.00? Yes, but you will get less traffic in the 3rd rank. How much less is the question this research seeks to answer.

Which Factors Determine Click Volume?

Two factors determine how many clicks you will get for a given search phrase: impressions and click-through rate (CTR).

Impressions: An impression is counted when your ad is served as part of the search engine results. The number of impressions you get is based on the number of times the keyword you are bidding on is searched and the position of your ad in the rankings for that keyword. For example, let's say you are bidding on the 5th rank for the phrase 'search engine marketing' in Google AdWords and someone searches for that phrase in AOL.

[1] Interactive Advertising Bureau (IAB), PricewaterhouseCoopers (PwC), November 2003
[2] *Trusting the Web*, iMedia Connection/Harris Interactive, June 2004
[3] As of 12:00 AM GMT, 6/25/2004

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Google provides results to AOL, so you should get an impression, right? Not necessarily. You will only get an impression if the user clicks through to the second page of search results because only the top few positions are displayed on the first page of search results.

Click-through Rate (CTR): CTR is the metric used to determine what percentage of users click on a given listing. CTR is calculated as:

$$\frac{\text{clicks}}{\text{impressions}}$$

A number of factors influence CTR in addition to rank. These include title, description, ad relevance, and industry. While all of these variables should be considered when you work to improve your CTR, the drop in CTR by rank was observed consistently in the data for this research, independent of these factors.

In summary: To get a click, your ad first needs to get an impression, then someone needs to click on your ad. To determine what impact rank has on impressions and CTR, we analyzed hundreds of millions of impressions and clicks for tens of thousands of keywords across a diverse set of industries and categories as they moved up and down in rank.

The Data

We derived two metrics from the data: relative impressions and relative CTR. Since the 1st rank has the highest number of impressions and CTR, we used it as the benchmark. Relative impressions indicate the number of impressions to expect in relation to the 1st rank. Relative CTR is the click-through rate to expect in relation to the 1st rank.

In addition, we calculated "click potential" as the product of relative impressions and relative CTR. This "click potential" shows the expected percentage drop in click volume by rank. Figures B and C show this data for Google AdWords and Overture Precision Match respectively. Figure D shows comparative traffic projections from Google and Overture based on these dynamics.

Google AdWords			
Rank[4]	Relative Impressions	Relative CTR	Click Potential
1	100.0%	100.0%	100.0%
2	77.2%	77.4%	59.8%
3	71.3%	66.6%	47.5%
4	67.9%	57.4%	39.0%
5	65.8%	52.9%	34.8%
6	62.3%	50.2%	31.3%
7	60.6%	39.7%	24.0%
8	58.3%	34.3%	20.0%
9	58.6%	26.0%	15.3%
10	52.6%	26.3%	13.9%

Figure B: Google AdWords data

Overture			
Rank[4]	Relative Impressions	Relative CTR	Click Potential
1	100.0%	100.0%	100.0%
2	97.2%	80.0%	77.7%
3	94.5%	62.2%	58.8%
4	91.2%	45.9%	41.8%
5	86.2%	35.0%	30.2%
6	74.3%	32.3%	24.0%
7	67.7%	26.6%	18.0%
8	59.5%	23.6%	14.1%
9	42.9%	21.0%	9.0%
10	36.8%	21.1%	7.8%

Figure C: Overture Precision Match data

Here are two examples of how to use this data:

Example 1: Your average CTR in Overture for the 1st rank is approximately 7%. Research indicates 1000 searches per month for a keyword you have added to your campaign. Combining these numbers, you can predict approximately 70 clicks per month for the new keyword in the 1st rank. The 3rd rank costs considerably less, but will result in 41 clicks per month instead of 70: 70 x 0.588 (58.8%) = 41.

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[4] Average rounded rank was used to classify the samples. Therefore, a sample taken at a given rank could include impressions at other ranks.

Example 2: One of your top performing keywords in Google drove 2000 clicks last month, with an average rank of 4. If you can increase its average position this month, the increase in expected traffic will be:

> Rank 4: 2000 clicks
> Rank 3: 47.5 / 39.0% x 2000 = 1.218 x 2000 = 2436 clicks
> Rank 2: 59.8% / 39.0% x 2000 = 1.533 x 2000 = 3067 clicks
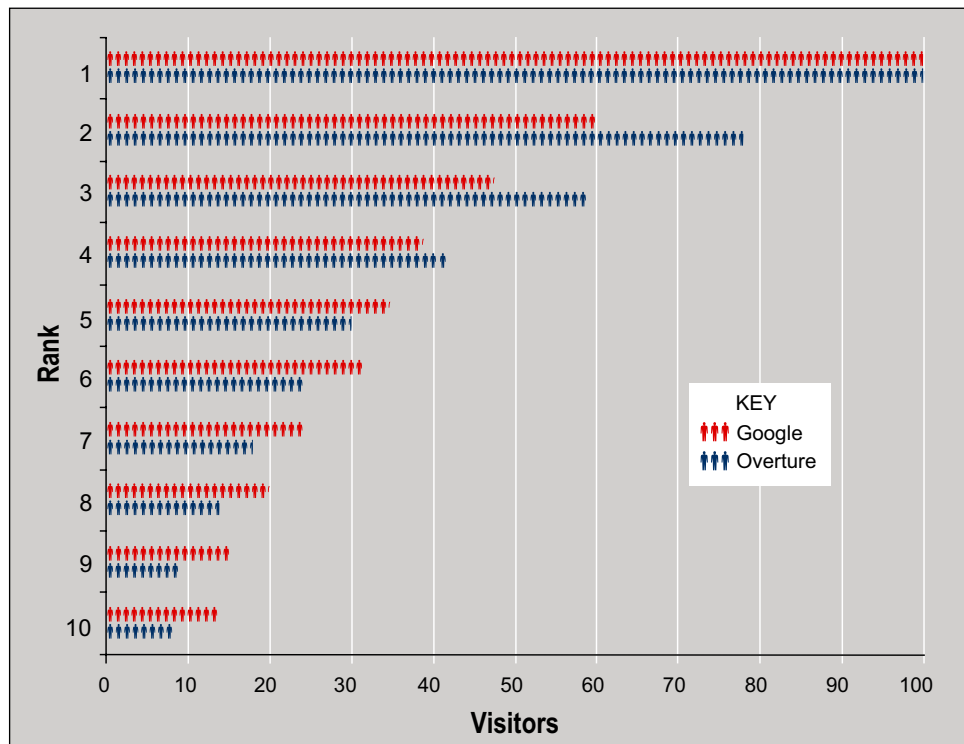> Rank 1: 100% / 39.0% x 2000 = 2.564 x 2000 = 5128 clicks

Figure D: Traffic projections based on 100 visitors in rank 1 illustrate drop in visitors by keyword rank

What We Have Learned

- Traffic drops significantly by rank. This needs to be taken into account as you weigh the profitability of keywords, and begs the question: have you aligned your search marketing strategy with your customer acquisition goals? While your sales may be costing you 10% less by maintaining 3rd rank, you could be losing nearly half of the customer acquisitions possible in 1st rank.

- The drop in traffic is consistent with each drop in rank, dispelling the myth that you must be in the top 3 ranks.

- While we have focused on pay-for-position search, the principles apply to paid inclusion and natural search as well. The correlation between CTR and rank should be taken into account when you are planning all of your strategies around search marketing.

What This Means for Marketers

- You should model your search campaigns based on cost, clicks, conversions, and rank. The data presented here provides a key component in modelling campaign performance. To model traffic overall,

you can look at last month's average rank, clicks, and conversions to obtain a basis for projecting the overall potential of your campaign.

- This research has focused specifically on traffic. To build a complete picture, you need to also understand conversion rates. The Atlas Institute is also examining the relationship between rank and conversion rate. Those results will be published in a separate analysis, but make sure that at a minimum you are tracking your conversion rate by search engine.

- Look at your own data. While this aggregated data revealed a fair amount of consistency in how impressions and CTR drop by rank, each industry is different. Overture and Google distribution also change over time. To obtain the most accurate numbers for your specific situation, you should perform a similar analysis on your own data.

- Manage CTR in all engines. A 10% improvement in the CTR of a listing is a 10% increase in clicks. In Google AdWords, improving CTR has the added advantage of decreasing your cost per click (CPC), since Google factors CPC into its AdWords rankings.

About the Atlas Institute

The Atlas Institute is the research and education arm of Atlas DMT, an advertising technology provider and creator of the Atlas Digital Marketing Suite. The Institute publishes Digital Marketing Insights, a series of reports by Atlas DMT's senior marketing analysts and digital marketing experts that help our clients improve their digital marketing effectiveness. Many of these findings are also made available to the digital marketing industry at large. Each Digital Marketing Insight report is designed to help marketers more successfully build value with their customers throughout the customer lifecycle: from awareness to acquisition and from retention to growth. The Atlas Institute also provides education in digital marketing to Atlas DMT customers and partners.

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