



"SEO vs. PPC – The Final Round"

**A Research Study by Engine Ready, Inc. Examining The
Role Traffic Source Plays in Visitor Purchase Behavior**

January 2008

Table of Contents

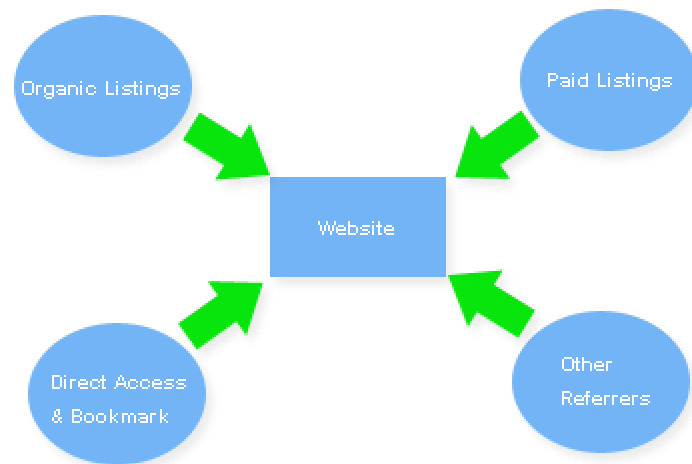
Introduction	3
Definitions	4
Methodology	5
Results	
Bounce rate	7
Conversion rate	8
Average order value	9
Value per visitor	10
Time spent on site	11
Average number of page views	12
Time spent on page	13
Comparison between average time spent on site and average order value	14
Comparison between average time spent on site and conversion rate	14
Comparison between average time spent on site and average value per visitor	15
Comparison between average page views and average order value	16
Comparison between average page views and conversion rate	16
Comparison between average page views and average value per visitor	17
Conclusions	18
Data Summary Table	20

I. Introduction

What keeps you up at night?

As an online marketer, what keeps you up at night? For a lot of us, it's the debate over whether to invest our limited promotional budget into SEO or PPC to achieve the highest return on our marketing investment. You've probably heard SEO agencies tout the superiority of SEO over PPC as a means of providing the best quality leads without having to pay for clicks. And you've probably also heard PPC agencies discount the value of an SEO investment due to the lack of control and ability to respond to mysterious algorithm changes.

An important part of the debate that's largely ignored is the quality of organic versus paid visitors. Do visitors from organic listings behave differently than those who arrived at your site via a PPC ad? In general, which type of visitor is most likely to buy? Is there any demonstrable and consistent relationship between how a visitor arrives at your site and their likelihood to buy?



Since visitors from different traffic sources may have different motivations, behaviors and buying characteristics, marketers need to understand how best to maximize the value of each visitor based on how they arrived at the site.

Along with organic and paid listings in the search engines, visitors may also arrive at your site by typing in your URL, accessing an existing bookmark to your site or from a link on a completely different website or email promotion.

To better understand how traffic source impacts visitor purchase behavior, Engine Ready studied 27 companies during a 2-year period measuring visitor metrics by traffic source. The purpose of this study was threefold:

1. Gain an understanding of how visitors behave based on how they arrived at your site
2. Provide insights into customizing the visitor experience based on the visitor's traffic source
3. Offer insights on how to best leverage your online marketing budgets among the four main traffic sources: SEO, PPC, inbound linking, or branding.

II. Definitions

Traffic arriving from Organic Listings – all visits where the referring URL included any search engine excluding visits from paid listings

Traffic arriving from Paid Listings – all visits from paid listings on search engines, contextual sites, and search partners

Traffic arriving from Direct Access/Bookmark – all visits originating from the visitor typing the URL into the browser or accessing a bookmark from their browser

Traffic arriving from Other Referrers – all visits from other web sites, emails and banners

Sales – gross sales revenues

Orders – number of orders received tied to visits. For example, if a customer ordered 5 products within 1 visit, that would be counted as 1 order

AOV (Average Order Value) – sales divided by orders

Bounce rate - the percentage of entries on each page of your web site that resulted in an exit from that page without getting any deeper into the site.

Visits – number of visitor sessions from unique and returning visitors

Conversion rate – number of orders divided by number of visits

Value per visit – sales revenue divided by visits

Average Time on site - average time visitors spent on the site

Page Views – the number of time web pages were viewed

Page Views per visit – page views divided by visits

Seconds per page – average time on site divided by page views per visit

III. Methodology

Understanding your site visitor motivations and behavior is crucial to designing the optimal visit experience for maximizing visitor value. The more information available to help us meet the visitor's needs, the more likely we ultimately turn that visitor into a customer.

Of course, there are a multitude of factors that have varying impacts on visitor's behavior and likelihood to purchase. One such factor is the traffic source used by a visitor to arrive on your site. We wanted to identify the magnitude of any visitor behavioral trends based on traffic source in a way that could help marketers adjust their strategies to maximize value. Although there can be an almost endless number of individual traffic sources, for the purposes of this study, we identified 4 primary traffic source categories that encapsulate all source origins:

- Organic listings
- Paid listings
- Direct access and bookmarks
- Other referrers

Our study data was made up of information aggregated from 27 randomly selected ECommerce companies operating in the U.S., comprising a total of 18.7 million visits and 83.5 million page views over a 2-year period. Since we were interested in assessing overall visitor behavior, we chose to not focus on any one industry and included both B2B and B2C firms in our study.

The characteristics we were most interested in evaluating consisted of 3 primary areas related to both ROI and brand awareness:

1. Likelihood to convert a customer
2. Amount of spend by the visitor
3. Engagement and visitor behavior

A large segment of online advertisers evaluate campaign success solely on the direct return on their investment. As such, we felt it was important to include both the likelihood of visitors to convert to buyers as well as their average order value.



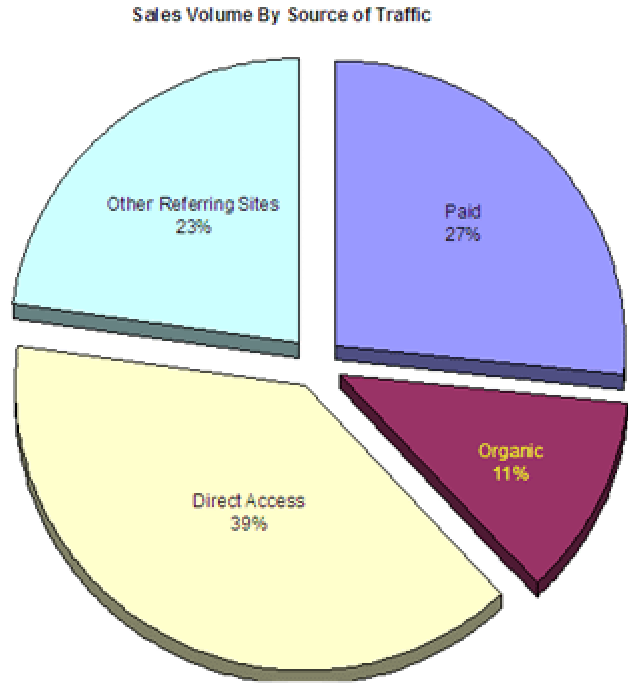
Along with direct ROI values such as conversion rate, we also included engagement metrics because we feel that engaged consumers lead to increased brand awareness that ultimately, leads to increased sales. Longer average visits tend to imply that visitors became more involved with the company's site and products.

Specifically we analyzed the following categories by traffic source:

- Average order value
- Bounce rate
- Conversion rate
- Value per visitor (sales divided by visit)
- Average time spent on site
- Average number of page views per visit
- Average length of time spent on each page viewed

Upon completion of data compilation, we found that the aggregated sales dollar volume resulted in a distribution among the four traffic source categories as follows:

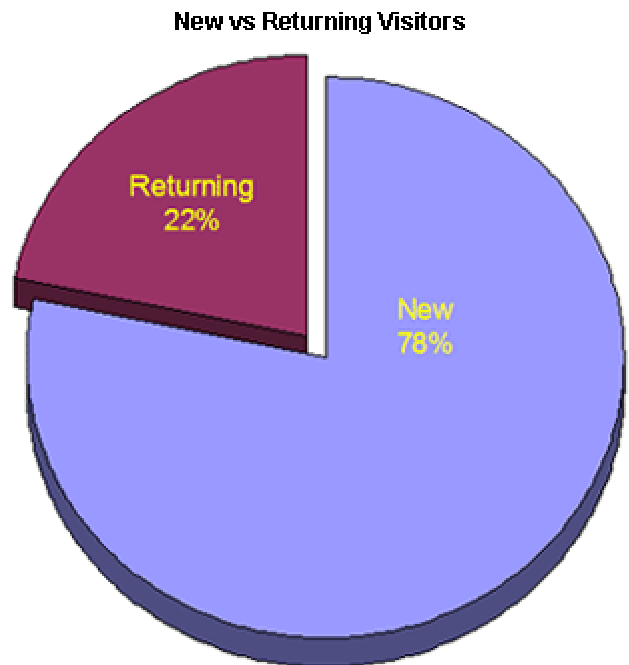
- Organic listings – 11%
- Paid listings – 27%
- Direct Access/Bookmarks – 39%
- Other referrers – 23%



Note that the highest percentage of sales dollars (39%) was generated from visitors who arrived at the sites via direct access or bookmarks.

This could very likely be an indication of repeat visitors, despite our studying showing that only 22% of our visitors were repeat visitors.

We surmise that the 22% repeat visitor value would have been closer to the 39% level had visitors not deleted their cookies.



IV. Results

A. ROI Metrics

1. Bounce rate

We found that the combined bounce rate from all traffic sources in our study was 44.5% with the 4 sources falling within a fairly narrow range of 6.4 percentage points. Leading the pack with the lowest bounce rate was direct access/bookmark generated traffic at 42.3%.

As one might expect, a user who either types in the URL or arrives at the site via a bookmark is highly motivated to engage with that site and less likely to bounce off of the destination.

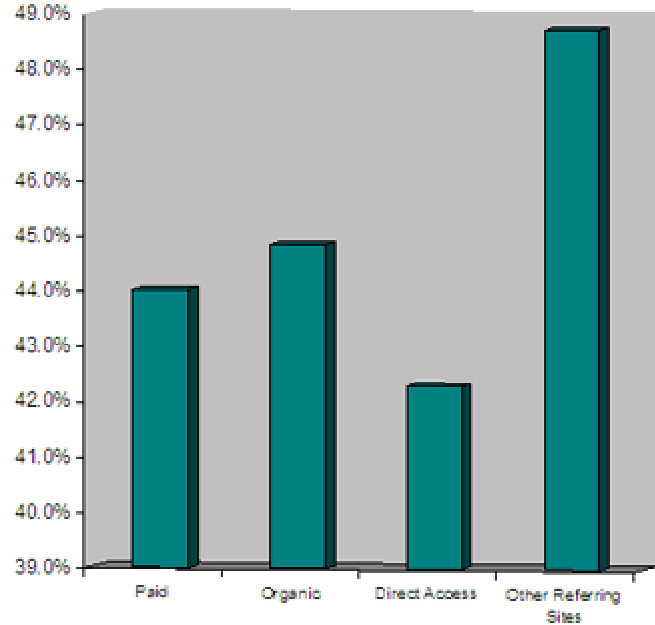
A very typical scenario would be situations where visitors are familiar with the URL and simply type in the home page fully expecting they'll need to navigate to another page within the site to either get the information they're looking for, or to make a purchase.

Also, a visitor may bookmark a page when they're almost sure they ready to purchase, but perhaps are interrupted or need gather more research from another site. Upon returning to the site via the bookmark, their likelihood to move on to another page will be higher because of their desire to complete the purchase.

At the other extreme, visitors who arrived from other referring sites bounced at the highest rate of 48.7%. These visitors might have landed on a page that was not what they had expected based on either the anchor text they clicked or some accompanying description of the site next to the link.

Paid traffic was slightly less likely to bounce than organic traffic (44.0% versus 44.8%) reflecting generally successful efforts by eRetailers in efforts to create specific landing pages based on keyword and ad creative in their paid campaigns.

Bounce Rate By Source of Traffic

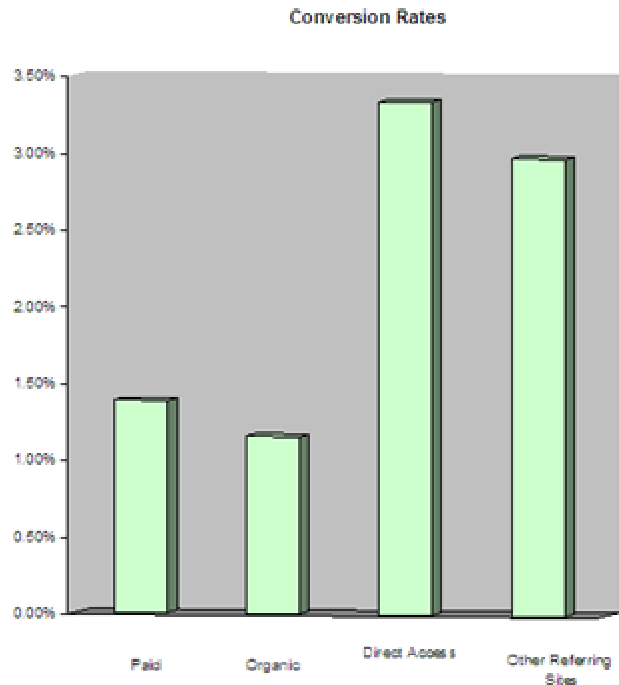


2. Conversion rate

Overall conversion rate for the studied companies came in at 1.9%, and ranged quite widely from a low of 1.2% for organic traffic to a high of 3.3% for direct access/bookmark traffic.

As was the case with bounce rates, again we're seeing the best performing conversion rate from direct access and bookmark traffic. However, the incremental advantage of attracting these repeat visitors was much greater than the difference in bounce rates.

In fact, these visitors were over 2.5 times more likely to convert than traffic received from organic sources.



Whereas traffic from other referring sites bounced at the highest rate of our 4 sources, those visitors from other referrers who did not bounce actually converted at a much higher rate (3.0%) than traffic from either paid (1.4%) or organic sources (1.2%). This would imply that visitors from other referrers are quite prepared to complete the purchase, however, they will not give the site much opportunity if the landing page is not close to their expectations.

Similar to our observations regarding bounce rate, paid traffic visitors converted slightly better than organic visitors. This could be a reflection of a more tailored landing page for the paid traffic visitors, or a greater intent to purchase when a web user clicks on a paid ad versus an organic listing.

3. Average order value

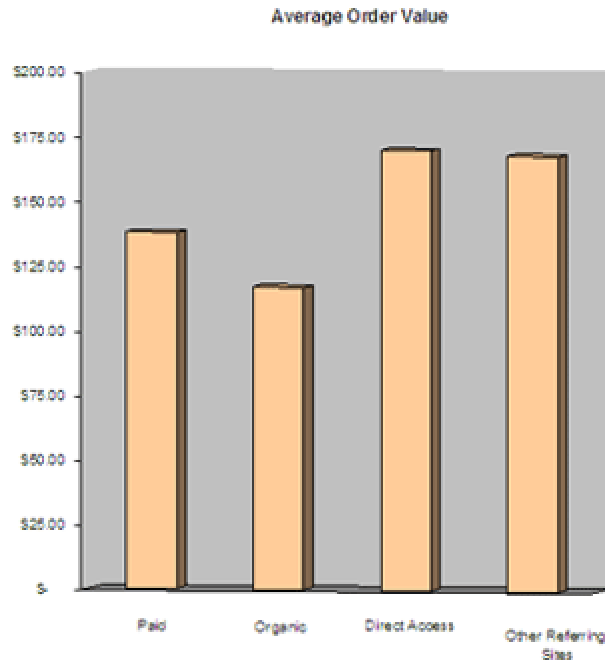
Our study produced an aggregate average order value of \$152.53, with a range of \$53 between the best performing source of direct access/bookmark (\$170.32) and the lowest average order value of \$117.09 from organic traffic.

Again, those visitors typing the destination URL or using a bookmark tended to spend the most on their purchase.

The second highest average order value (\$168.45) came from visitors who arrived via other referring URLs. Of particular note is the relatively insignificant difference of only 1% in average order value between these 2 sources. Again this points to that even though traffic from other referrers tends to not stick on the site as well, it does nonetheless result in good conversion and average order values.

Average order value of both paid and organic traffic sources trailed the other sources by a more significant margin. AOV from paid traffic (\$138.04) came in at 18% below that of other referrers, while organic traffic AOV (\$117.09) was more than 30% off of other referrers AOV.

Our results show that when a visitor clicks on a paid ad versus an organic listing, they are not only more likely to convert at a higher rate, but also likely to spend 18% more.



4. Average value per visit

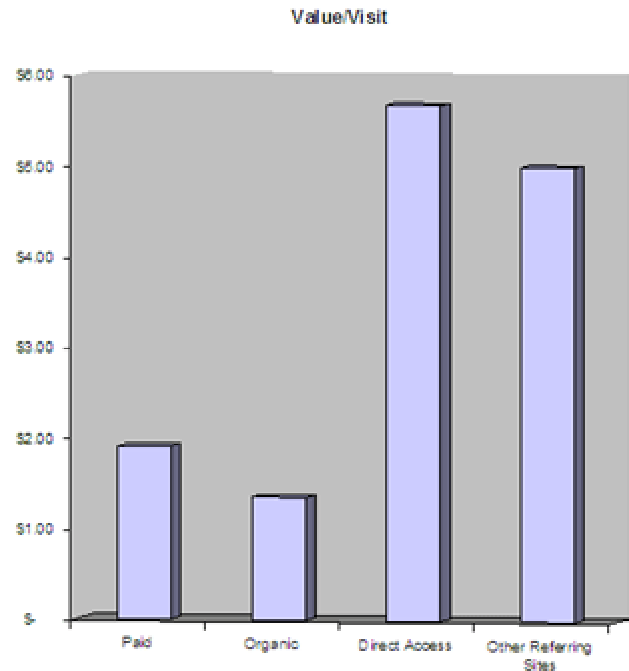
To get to the true value of an average visitor arriving from the 4 sources studied, we've computed a value per visit metric (sales revenue divided by number of visits).

The average value per visit for all traffic sources in our study was \$2.96, however the disparity between the highest and lowest results was the greatest of any of our metrics.

Following the trend observed in all of the other metrics analyzed, direct access/bookmark traffic generated the best value per visit of \$5.69. In this case, though, that result was over 4 times greater than that of organic traffic, which had the lowest value per visitor of \$1.35. Assuming that direct access/bookmark traffic are repeat visitors, we can conclude that it is worth more than 4 times as much to get a repeat visitor to your site compared to one who finds your site via an organic listing.

The second most valuable visitor at \$5.01 was one that arrived via a link from another web site. We witnessed a large drop between that source and the next most valuable source, paid traffic, which measured an average value per visitor of \$1.91.

A visitor from a paid traffic source was worth 41% more than a visitor from an organic listing. Obviously there are varying amount of marketing costs involved in optimizing a site for organic listing versus click charges incurred from a pay per click search engine. As a benchmark, though, the results of our study would suggest that allocating a higher proportion of your marketing budget to PPC versus SEO would be advised.



B. Engagement Metrics

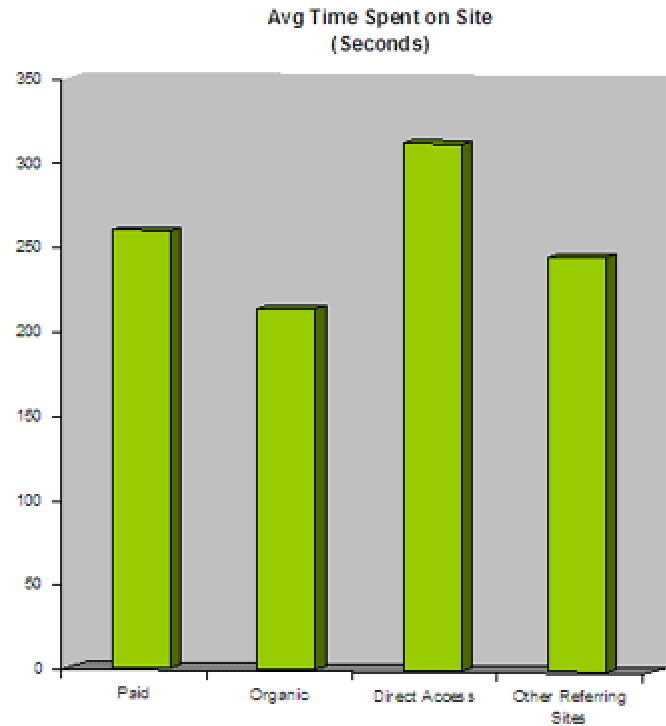
4. Average time spent on site

The range of average time spent on the site based on traffic source was relatively large. In fact, the source producing the most “sticky” traffic (direct access/bookmark) produced average length of stays 50% longer than the lowest performing source (organic listings) in this category.

Whereas traffic from other referrals converted over twice as frequently as paid traffic, those visitors actually spent less time on the site on average (246 seconds) than visitors from paid ads (259 seconds).

This might imply that traffic from other referrers, although more likely to convert, does not need to spend a lot more time on the site to make that purchase decision.

Consistent with our other categories measured, organic traffic performed the lowest of all sources registering an average time spent on site of 214 seconds.



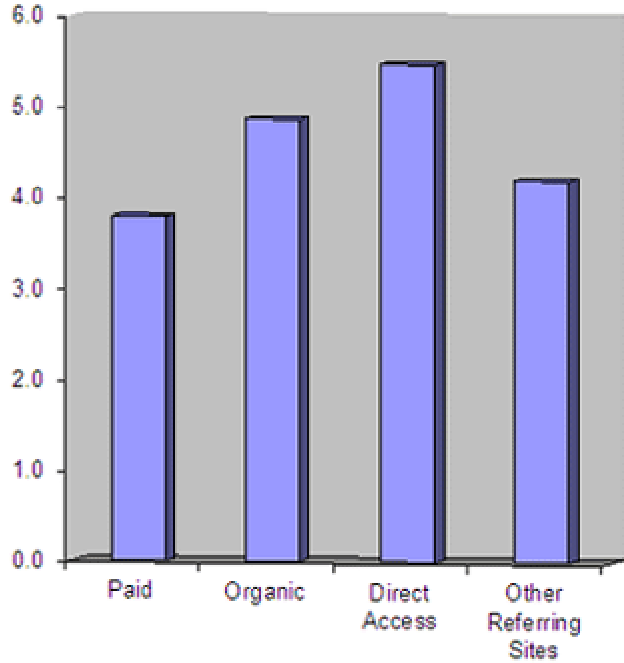
5. Average number of page views per visit

Average number of page views based on traffic source ranged from a high of 5.5 for direct access/bookmark traffic, to a low of 3.8 pages for traffic arriving from a paid ad.

This was the only category where traffic from organic listings did not fare the worst. In fact, those visitors viewed on average just under 5 pages per visit, which was second only to direct access/bookmark visitors at 5 ½ pages per visit.

Visitors from paid traffic sources viewed the fewest pages per visit (3.8) likely due to the use of optimized landing pages by marketers in an attempt to prompt a quick action from the visitor within the fewest number of pages.

Average Page Views per Visit

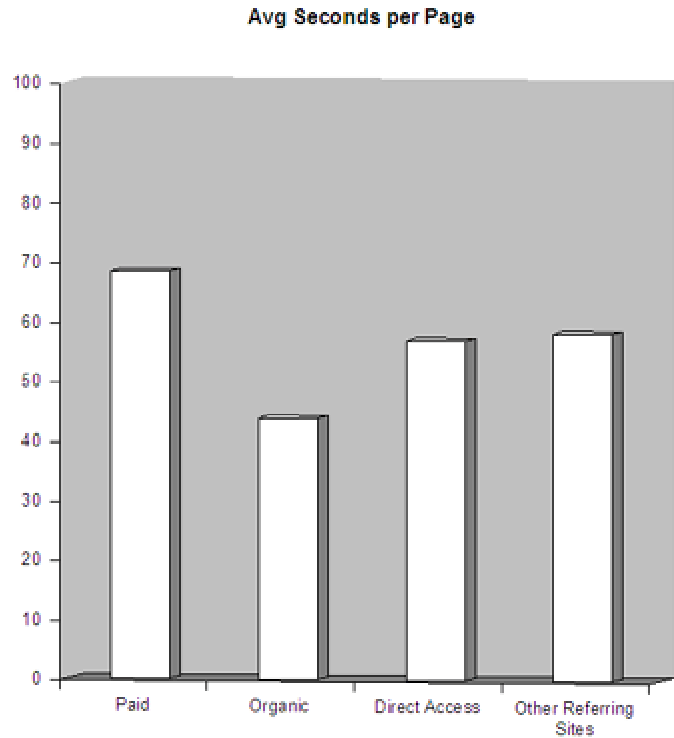


6. Average time spent on an individual page

It's interesting to note from the previous 2 metrics that although the organic visitors tended to view the second highest number of pages per visit, they spent the shortest amount of time on average on the site.

Those organic visitors raced through each page at an average of 43.9 seconds/page, compared with an average stay on page of 57.0 seconds for direct access/bookmark visitors.

As noteworthy was the much longer average length of time spent on a page by visitors from paid ads at over 68 seconds.

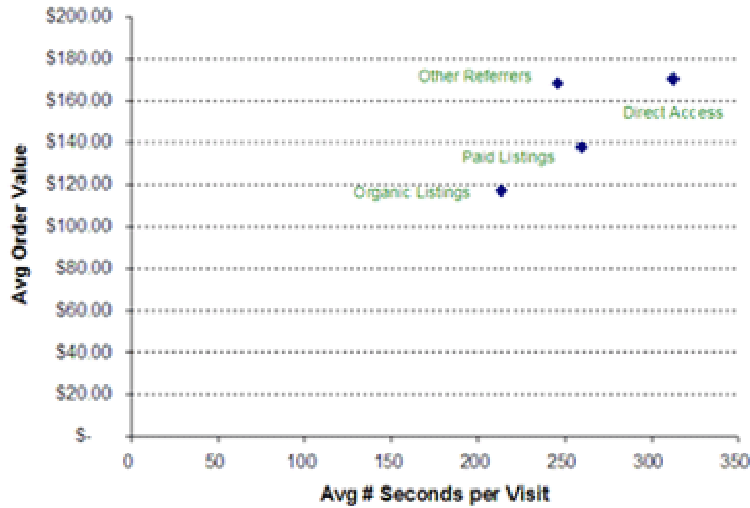


As those paid search landing pages more heavily persuade the visitor to perform an action, the visitor appears to spend more time on the page in their decision making process.

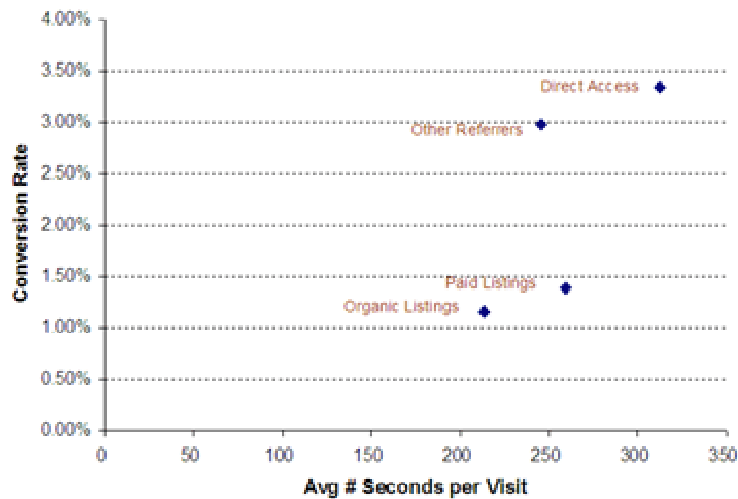
C. Correlation Metrics – the next series of graphs explore possible relationships between ROI metrics and the engagement metrics of average time spent on site and average number of page views.

1. Time

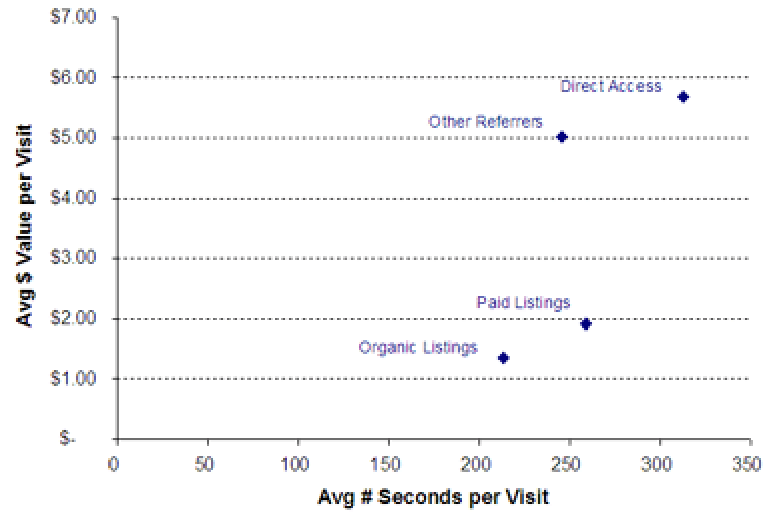
a. Comparison between average time spent on site and average order value



b. Comparison between average time spent on site and conversion rate

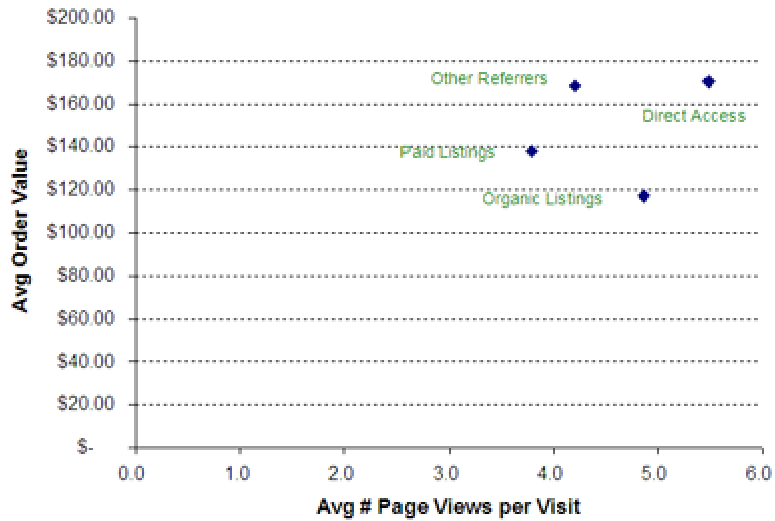


- c. Comparison between average time spent on site and average value per visitor

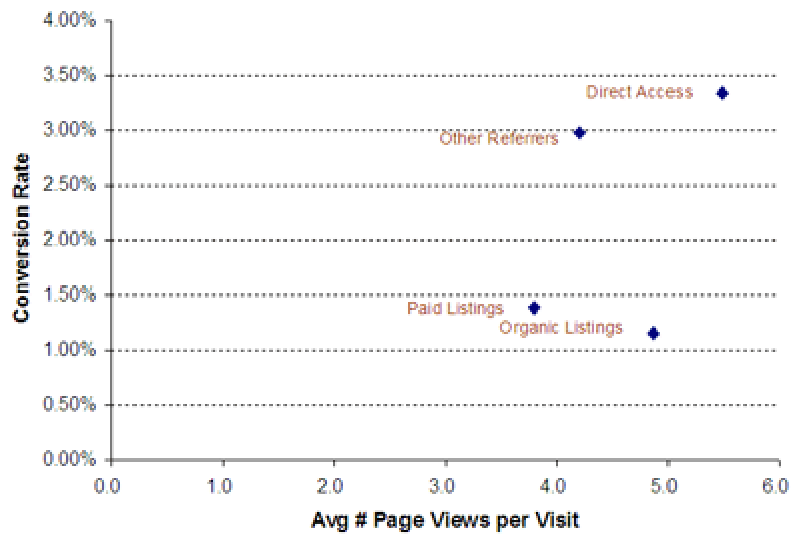


2. Page Views

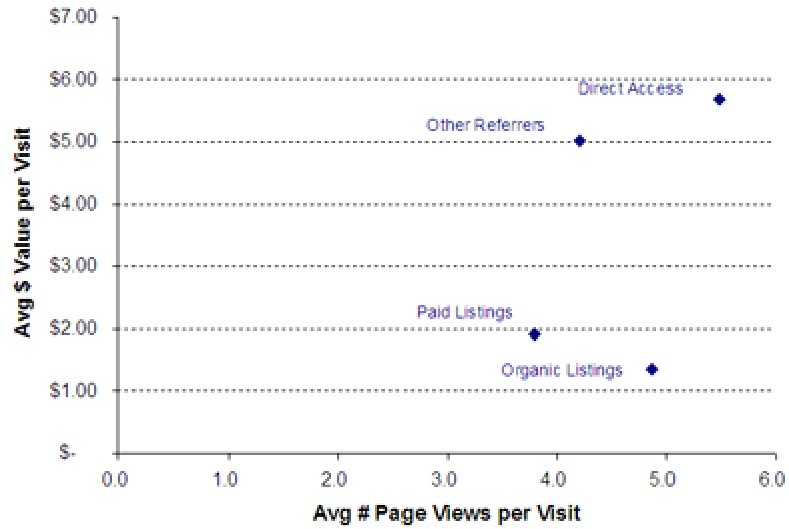
- a. Comparison between average number of page views per visit and average order value



- b. Comparison between average number of page views per visit and conversion rate



- c. Comparison between average number of page views per visit and average value per visitor



4. Conclusions and recommendations

The Most Productive Visitor

A common thread throughout all of our research was that visitors arriving via direct access or a bookmark stay longer, view more pages, are more likely to purchase and more likely to spend a higher dollar amount than visitors from other sources. Since the only way a visitor could arrive via a bookmark is from a previous visit to your site, a primary reason supporting these findings is that many of these visitors in the direct access/bookmark category have visited the site previously, and were probably familiar with the company's product or service offerings.

Assuming then that a much larger percentage of this group of visitors visited the site before (compared to other sources), then it becomes quite clear, and perhaps not too surprising, that repeat visitors are more valuable than new visitors. In fact, measuring an average sales dollar value per visit, we found that this group of visitor was over 4 times as valuable (\$5.69/visit) as those who arrived at the site via an organic listing (\$1.35/visit).

These results reinforce the importance of providing reasons to compel your visitors to return often to your site.

The Value of Inbound links beyond SEO

Inbound links to a site from other domains are both beneficial for SEO as well as driving additional quality traffic. And we found that visitors arriving from other domains and emails had the second highest value per visitor at \$5.01. Interestingly, these visitors had the second highest conversion rate (3.0%) and average order value (\$168.45), however, they also tended to bounce off of the landing page at the highest rate (48.7%) of all sources.

SEO versus PPC

Ever since the pay per click model became a channel for marketers, there has been an ongoing debate whether an investment in search engine optimization generates a higher ROI than paying for clicks using a PPC advertising model.

On an individual basis, there's a multitude of factors that determine how well your visitors will convert when arriving from a search engine. Looking at the big picture across our entire sample size, though, did show that visitors from PPC ads outperformed those from organic listings in every category except average number of page views per visit. Overall, we found that the average sales dollar value per visitor arriving from a PPC ad was \$1.91, or 41% higher than that of a visitor from an organic listing.

Additionally, paid traffic converted at a 20% higher rate and experienced an average order value 18% above that of traffic from organic listings.

Our study showed that, paid traffic returned a more valuable visitor than that from organic listings.

Engagement Metrics

The results of our engagement metrics mirrored very closely that of our ROI metric findings. Although those metrics don't directly equate to revenue, they are nonetheless still important to marketers. Direct access/bookmark traffic averaged 312 seconds per visit; 46% longer than organic visitors who remained on the site the shortest amount of time of our groups studied. As far as average number of page views per visit, again direct access/bookmark traffic took the lead at 5.5 pages, 45% more than the lowest category, organic visitors.

The Basis of Online Marketing

A significant takeaway from our research is the importance of adequately tracking and analyzing site metrics when formulating marketing strategy and ensuring that measurements align with your strategic goals. Although we saw fairly consistent trends within our sample, there will be variations on an individual level based on your market and competitive environment.

As marketers hone in on defining their online marketing goals, set key performance benchmarks, and aggressively measure, analyze, and test, they will have a clearer understanding of which types of visitors are most cost effective to meeting those goals. Armed with this information they can adjust the marketing investment and web content based on traffic source to maximize the value of each visitor.

Data Summary Table

Engine Ready
Metrics by Traffic Source Study

January 2008

TOTALS	% Sales	AOV	% Orders	Bounce Rate	Sales	Orders	Visits	Conv Rate	Value/ Visit	Avg Time On Site	PVs	PVs per Visit	Sec/ Page
Paid	26.6%	\$ 138.04	29.4%	44.0%	\$14,754,202	106,663	7,713,630	1.4%	\$ 1.91	259	29,264,148	3.8	68.4
Organic	11.4%	\$ 117.09	14.9%	44.8%	\$6,346,064	54,198	4,684,393	1.2%	\$ 1.35	214	22,811,828	4.9	43.9
Direct Access	39.2%	\$ 170.32	35.1%	42.3%	\$21,780,043	127,877	3,827,623	3.3%	\$ 5.89	312	20,974,497	5.5	57.0
Other Referring Sites	22.8%	\$ 168.45	20.6%	48.7%	\$12,640,283	75,038	2,520,925	3.0%	\$ 5.01	248	10,609,794	4.2	58.4
Total	100.0%	\$ 152.53	100.0%	44.5%	\$55,520,612	363,996	18,746,771	1.9%	\$ 2.96	258	83,660,267	4.5	57.8