Pay per click (PPC)

Pay per click (PPC) refers to a payment model in the e-commerce environment, in which a commission for each click on an advertisement is paid. The advertiser only pays for potential buyers who click on the ad, not for showing the advertising medium. The actual price of a single click for the advertiser is called Cost per Click (CPC).

History

In 1996 Scott Banister (at the time it was only 18 years old) came up with the idea of charging search advertisers by the click with ads tied to the search keyword. When he presented his idea to Yahoo! they couldn't see the potential of search, maybe attracted more by easy money, but in 1998 somebody could finally run with this idea: IdeaLab's Bill Gross. In that year he launched Overture (formerly GoTo), the pioneer in paid search. His idea was to arbitrage traffic streams and sell them with a level of accountability.

GoTo.com

The strength of GoTo was that while other search engines sorted their results in order of algorithmically assessed relevancy to the user's query, GoTo.com had a new twist – they auctioned their results to the highest bidder. Following steps will show you how it works:

1. An advertiser chose a specific word or phrase ('search term'), and placed a bid on that term.
2. They submitted an advert for that specific term, which was checked by GoTo’s editors for its relevance to the term.
3. If the ad was accepted, it was shown when a user searched for the term. As the user was most likely to click on the top advert in the list, the advertiser who placed the highest bid was shown at the top of the list, with other advertisers shown below in reverse bid order.
4. When a user clicked on an advert, the advertiser was billed the amount of their bid. A user might click on more than one advert – in which case more than one advertiser would be billed – or on none at all.

Source: http://www.searchenginehistory.com/

Google Adwords Select

In February 2002, Google introduced Adwords Select. This was a PPC programme with a number of key innovations:

- Listings were ranked not only by bid amount, but also by CTR. An advert with a high CTR could therefore gain a higher position than a competing advert with a higher bid, but a lower CTR.
- Bidders did not pay the full amount of their bid; instead they paid one penny more than the bid below (or, if theirs was the lowest bid, they paid the minimum). This was called the ‘Adwords Select Discounter’ – it became known as ‘auto-bidding’.
- Adverts could be targeted to any of a large number of countries, or to a particular language.
- Adverts could be more closely targeted to particular search terms, using advanced keyword matching options


Further pricing models

- pay per view (PPV)
- pay per lead (PPL)
- pay per sale (PPS)

External links

Paid listings confuse web searchers | PC World


1) http://www.coupling-media.de/marketing-lexikon/pay-per-click.html
2) http://www.sebcom-online.de/lexikon/pay-per-click.html
3) http://www.searchenginehistory.com/