

# POWER LEVERAGE IN ADWORDS WITH 95/5

*Harnessing the Strength  
of Nature's "Law of Everything"  
to Make an Instant Impact, Cut Costs,  
& Get a Solid Foothold  
Against Tough Competition*

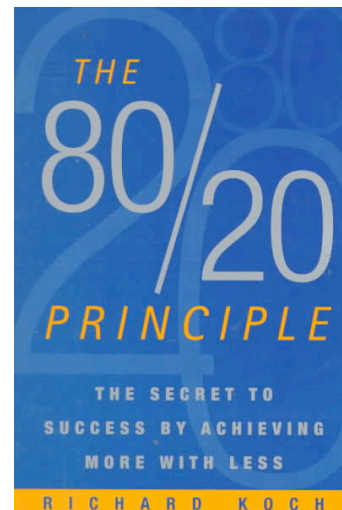
Perry Marshall & Bryan Todd

Discover how it's possible to increase your business 50% with a 1% adjustment to your marketing - no joke, no exaggeration. Visit <http://www.perrymarshall.com/8020survey> to learn more.

## Gaining Powerful Leverage Over Clicks and Dollars Using the 80/20 & 95/5 Rules

- *The 80/20 Rule is a universal “law of everything”*
- *On the Internet, bigger “skews” such as 95/5 and 99/1 are even more common*
- *The 95/5 rule shows you where to spend your time in order to make a real difference*
- *If your campaigns are not showing the 95/5 trend, then you can still use the 95/5 Rule to spot what’s wrong and fix it*
- *You can make the 80/20 and 95/5 Rules work in reverse*
- *You can use 80/20 and 95/5 to quickly spot & cut overspending.*

You’ve been hearing of the 80/20 Principle for years. But whether you fully grasp its powerful implications to your business and life may be another matter entirely. Richard Koch’s outstanding book on the topic, *The 80/20 Principle*, is one that has changed the way I view business, and has revolutionized my life. We highly recommend you get your hands on a copy.



The 95/5 Rule is no doubt a close sibling of 80/20. On the Internet you find that it’s more the rule than even 80/20 is. And quite frankly the more-highly-skewed versions such as 97/3 or 99/1 are even more common still.

And we could discuss theories about these principles endlessly. But how does a person actually leverage them to make actual money in his or her actual Google account?

### First, You Gotta See It.

If “knowing is half the battle,” then in this case seeing it is the first step toward putting it to use. Jump into your Google account, pick a campaign and rank all the ad groups in it in descending order by “impressions.” It will show up clear as a bell when you see how the numbers drop off as you go down the list.

It’s always skewed:

<input type="checkbox"/>	● Ad group	Status	Default Max. CPC	Display Network Max. CPC	Clicks	Impr.	CTR	Avg. CPC	Cost	A	P
<b>Total - all ad groups</b>					<b>1,417</b>	<b>84,462</b>	<b>1.68%</b>	<b>\$0.01</b>	<b>\$14.23</b>		
<input type="checkbox"/>	● "universe"	Eligible	\$1.00	auto	663	50,596	1.31%	\$0.01	\$6.63		
<input type="checkbox"/>	● origin universe	Eligible	\$1.00	auto	290	4,494	6.45%	\$0.01	\$2.90		
<input type="checkbox"/>	● [universe]	Eligible	\$1.00	auto	213	8,590	2.48%	\$0.01	\$2.13		
<input type="checkbox"/>	● atheism	Eligible	\$1.00	auto	61	14,525	0.42%	\$0.01	\$0.61		
<input type="checkbox"/>	● hubble image	Eligible	\$1.00	auto	53	1,307	4.06%	\$0.01	\$0.53		
<input type="checkbox"/>	● creation universe	Eligible	\$1.00	auto	27	593	4.55%	\$0.01	\$0.27		
<input type="checkbox"/>	● hubble photo	Eligible	\$1.00	auto	26	590	4.41%	\$0.01	\$0.26		
<input type="checkbox"/>	● universe created	Eligible	\$1.00	auto	21	330	6.36%	\$0.01	\$0.21		

**Now Scrap the Numbers ‘80’ and ‘20,’  
and Just Look at that ‘Curve.’**

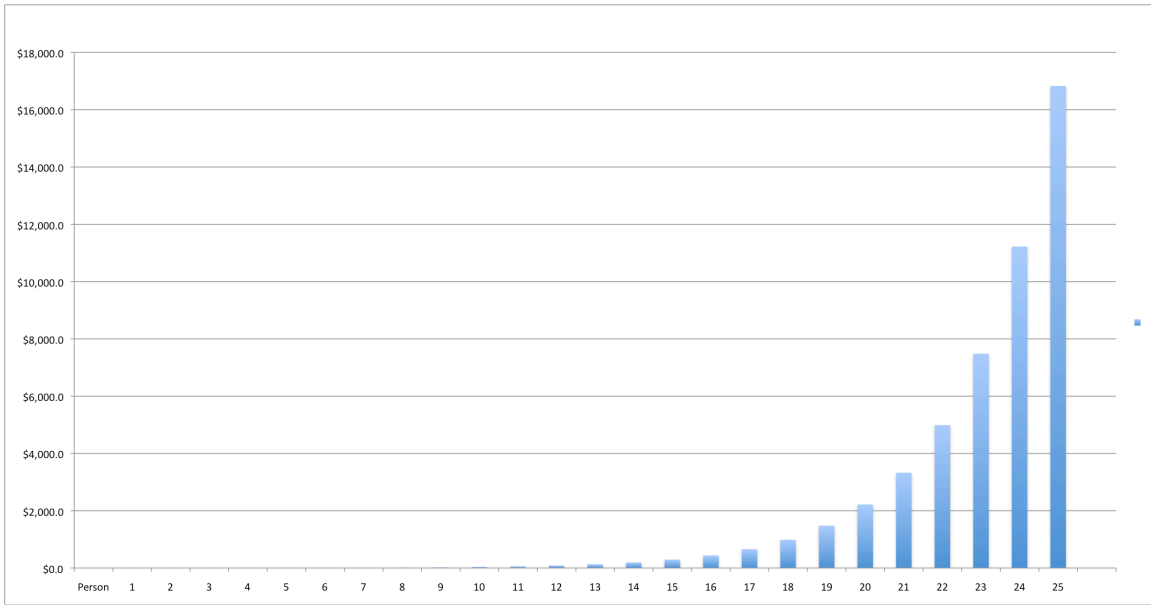
People often want to argue with me about the numbers 80 and 20. Or 95 and 5. I honestly don’t give a rip about the exact numbers; I just care that people see that it’s a curve.

Your Google account doesn’t just divide itself into neat blocks where the “20 block” gets an evenly-distributed 80% of the traffic and the “80 block” gets a neatly-distributed 20%. It’s never so clean. Forget the numbers; look for the curve it creates when you graph it out.

For example, in your imagination (or on paper) line up all your customers in order from those who’ve spent the smallest amount with you to those who’ve spent the most. Over each customer’s head stick a bar graph indicating the amount he or she paid.

What will you see? What we like to call the “skew curve,” sloping upward at the far right end. Just like a skateboarder’s quarter pipe:



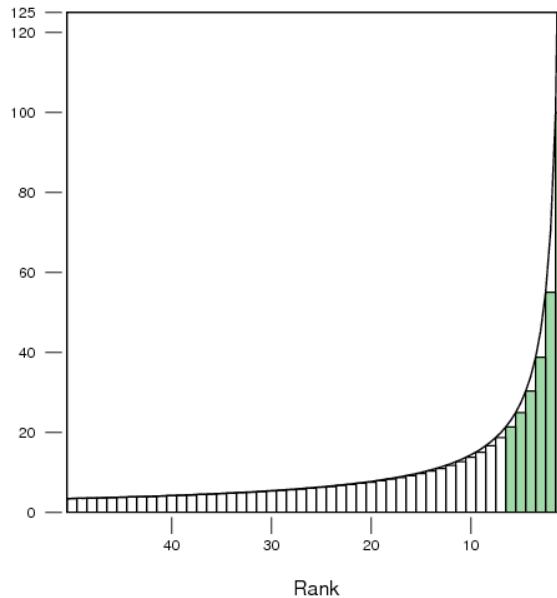


Sometimes it's dramatic:

Site Usage		Goal Conversion	Clicks	Vis
Visits <b>120</b> % of Site Total: 0.23%	Pages/Visit <b>1.11</b> Site Avg: 2.10 <b>(-47.32%)</b>	Avg. Time on Site <b>00:00:39</b> Site Avg: 00:02:32 <b>(-74.35%)</b>	% New Visits <b>95.83%</b> Site Avg: 68.88% <b>(39.13%)</b>	
Keyword	Visits	Individual Keyword performance:		
1. <a href="#">pay per click</a>	53	44.17%		
2. <a href="#">pay per click program</a>	49	40.83%		
3. <a href="#">yahoo pay per click</a>	6	5.00%		
4. <a href="#">pay per click programs</a>	4	3.33%		
5. <a href="#">pay per click site</a>	3	2.50%		
6. <a href="#">pay per click ads</a>	1	0.83%		
7. <a href="#">pay per click banner</a>	1	0.83%		
8. <a href="#">pay per click business</a>	1	0.83%		
9. <a href="#">pay per click software</a>	1	0.83%		

The whole of life on planet earth is built off of the pervasive reality of this skew curve. The curve has a different “skew” depending on what you happen to be measuring, but it's always the same kind of upward-sloping curve.

The tool that produced this curve is at [www.8020curve.com](http://www.8020curve.com):



### **This is All About “Impact.”**

The curve is all about what, and who, makes the biggest difference. The keywords that generate the most sales versus the keywords that generate the least. The customers on your list who spend the most with you, versus the ones who have spent the least. The players on the team who score the most points versus the ones who score the fewest. The employees who cause you the biggest headaches versus the ones who cause the fewest.

So you look to the far right end of the curve and instantly know that there is where the *real* impact is being had.

### **So Start Where it Matters.**

So if you’re still in the process of thinking through or building out your AdWords campaigns, it only makes sense to start where it matters: at the top. On the right end of the curve.

The best and most effective ad groups all get kicked off this way: starting up front with the keywords and ad groups that are going to swing the biggest doors.

Pick your top five keywords and put them into an account, write separate ads for each one, and turn on the traffic.

You can get 60-80% of your full-throttle traffic coming in to your website in just the first five minutes with this approach.

We did this recently. To an extreme, in fact.

What if you tried rolling out *one* single solitary keyword at a time? Getting it past the inevitable Quality Score hurdles, getting it to a decent position on the page, getting clicks to it and traffic that converts, settling on a decent and respectable cost per conversion ... and then and only then moving on to the next keyword.

This is precisely what we did in setting up one account for a client: One solitary exact-match keyword in the entire account, run through a series of split-tested ads over the course of several *months*, getting its cost per conversion down to an acceptable figure, before adding in any other keywords.

It takes a patient client, but it gets results.

This video describes the whole process. You may have seen it:

<http://www.perrymarshall.com/google/955-03.htm>

So isn't that putting all your eggs in one basket?

Sure. But these days you have to be able to establish your presence on at least one keyword on Google. That alone may turn out to be indispensable to your surviving in your market. Especially the most ferociously competitive ones.

This means:

- (1) You start with one keyword, [ ] exact match only
- (2) You split test all of the major ad copy factors for that one keyword, including the headline, the body, and multiple URLs
- (3) You find the position on the page that delivers the best ROI
- (4) You deal with all of the necessary issues with quality score, including your keyword-to-ad-copy match (particularly with respect to the headline), the content of your landing page, the amount of keyword-related content on your entire website, the bounce rate and average time on site, and more
- (5) You identify which ad copy factors give you the lowest cost per conversion,

and once you've determined the winning combination, you roll out the second exact-match keyword, the second highest-impact term on your keyword list ... and repeat the whole process.

So why is this a good idea?

Well, for one, it reduces the number of variables you have to manage. One keyword. One pair of ads. One landing page. One clickthrough rate. One cost per conversion. One set of sales numbers. One clear, unmistakable yes or no answer to whether it's working or not.

### **So What Does *Your* 95/5 Look Like?**

People sometimes freak out when they open a new Google campaign and do their diligent keyword research and separate out all their ad groups (like they're supposed to – like we teach) and write perfect ads and turn on the traffic ...

... And the keywords they just *knew*, by golly, were going to be their star players, aren't.

This is especially frustrating for the folks that go into the keyword tools and dig for the deep and hard numbers, like KEI (Keyword Effectiveness Index) and such ... and those keywords don't produce like they were told they would!

There are at least two versions of this problem. One is that the keywords they thought were going to get the biggest number of *searches*, don't. The other is that the keywords that *do* get a lot of searches and which they thought were also going to bring in the *sales*, don't.

First off, neither Google's keyword tool nor any other can be trusted as ultimate gospel truth.

Some keywords bring volume but few sales because you're not offering what people are looking for. At least not the people who searched on that keyword.

After all, every keyword is a market of its own.

Never mind the fact that keywords that bring sales to your competitor may not bring any sales to you. And vice versa. That's a function of your message, of your USP, of the look and feel of your website, of your whole marketing approach.

### **Here's the Point:**

You gather the keywords you need, turn on the traffic, and watch as the click-and-sale tendencies of the keywords you're using evolve before your eyes.

Bryan Todd had this experience some time back while promoting an e-book to people learning Chinese: He assumed that people searching on "learn Chinese" on Google.com would account for the majority of his sales.

Not so. Forty percent of his clicks came from the one keyword "Mandarin" on the *Display Network* – and those clicks resulted in 60% of his sales.

This screenshot shows the disproportionately high number of clicks he got from the display network, marked as "Learn Chinese - CT":



Campaign Name	Clicks	Imp.	CTR	Avg. CPC	Avg. CPW	Cost	Conv. Rate	Cost/Conv.	Conversions
Learn Chinese - CT	15,762	5,943,804	0.27%	\$0.09	\$0.23	\$1,371.56	13.75%	\$0.63	2,132
Chinese - ST	1,873	761,990	0.25%	\$0.10	\$0.25	\$193.37	26.59%	\$0.39	498
Learn Chinese	9,125	567,740	1.61%	\$0.17	\$2.71	\$1,536.42	11.88%	\$1.39	1,059
ACCC	19	1,777	1.07%	\$0.08	\$0.90	\$1.60	0.00%	\$0.00	0
Learn Chinese Search	8	1,075	0.74%	\$0.13	\$0.93	\$1.00	0.00%	\$0.00	0

No keyword tool could ever predict that.

And for that matter, no tool of any kind could foresee the unpredictable nature of Google Display Network, where sites you show up on are chosen based on Google's ever-changing keyword algorithms, and the sales numbers you generate from each of those sites vary as dramatically as the content of the sites themselves.

Same deal with your repeat customers and back end: your customers that bring you the highest average lifetime value will do just that because they like you and they like your business. That's something no chart or graph can predict.

### **Do the Backwards 80/20 Money Tweak.**

In our *Ultimate Guide to Google AdWords* we describe how you can use the 80/20 Rule turned on its head to cut your costs significantly. In short:

- (1) Identify the more-than-80% of your keywords that bring you fewer than 20% of your traffic, and
- (2) Slash their bid prices to as little as one-fifth, one-tenth the old level.

As a result, your sales from these keywords will drop. But because of the innate imbalance, or non-linearity, between bid prices you pay and the resulting sales, it's likely that your total sales from these keywords will drop *less* than your bid prices do.

Which means you lose half of that traffic – half of that 20%, that is – but you're paying one-tenth the price. So in the end you come out ahead.

Now, if you add the dimension of tracking conversions to this, there's much more nuance and, frankly, much more leverage to the cutting of your bids.

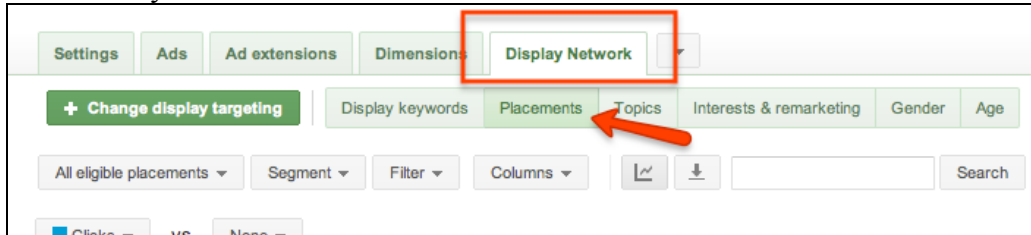
*Go to your Google account and slash the bid price on every keyword in your list that hasn't brought you a single sale in two to six months.*

*If there are keywords that **should** have had sales, you'll need to give them time and attention (in the form of new ads, new ad groups, new landing pages, etc.) based on what you think their real potential is.*

### **Now Do the Display Network 80/20 Money Tweak.**

Google gives you the ability to adjust bid prices on individual *sites* that you choose to place your ads on. So now you've got an entirely new dimension to play in.

If you're running on Google Display Network, you can run a live report showing all the domains your ads have been on:



Hint: Rank your results in descending order by 'Cost':

<input type="checkbox"/>	<input checked="" type="checkbox"/>	Placement	Status	Clicks <sup>?</sup>	Impr. <sup>?</sup>	CTR <sup>?</sup>	Avg. CPC <sup>?</sup>	Avg. CPM <sup>?</sup>	↓ Cost <sup>?</sup>	Conv. (1-per-click) <sup>?</sup>
<input type="checkbox"/>	<input checked="" type="checkbox"/>	youtube.com	Automatic	3,119	376,643	0.83%	\$0.03	\$0.23	\$87.27	270
<input type="checkbox"/>	<input checked="" type="checkbox"/>	anonymous.google	Automatic	2,570	1,314,166	0.20%	\$0.03	\$0.06	\$84.97	265
<input type="checkbox"/>	<input checked="" type="checkbox"/>	mail.google.com	Automatic	773	808,783	0.10%	\$0.06	\$0.06	\$48.86	124
<input type="checkbox"/>	<input checked="" type="checkbox"/>	about.com	Automatic	388	196,967	0.20%	\$0.05	\$0.11	\$21.21	53
<input type="checkbox"/>	<input checked="" type="checkbox"/>	livescience.com	Automatic	350	122,068	0.29%	\$0.04	\$0.13	\$15.26	31
<input type="checkbox"/>	<input checked="" type="checkbox"/>	space.com	Automatic	344	105,178	0.33%	\$0.04	\$0.13	\$13.57	21
<input type="checkbox"/>	<input checked="" type="checkbox"/>	christianpost.com	Automatic	231	29,079	0.79%	\$0.05	\$0.41	\$12.00	33
<input type="checkbox"/>	<input checked="" type="checkbox"/>	brainyquote.com	Automatic	226	49,541	0.46%	\$0.05	\$0.21	\$10.61	22
<input type="checkbox"/>	<input checked="" type="checkbox"/>	123greetings.com	Automatic	369	107,180	0.34%	\$0.03	\$0.09	\$9.67	30
<input type="checkbox"/>	<input checked="" type="checkbox"/>	cracked.com	Automatic	462	183,485	0.25%	\$0.02	\$0.05	\$9.50	30
<input type="checkbox"/>	<input checked="" type="checkbox"/>	phys.org	Automatic	194	12,549	1.55%	\$0.05	\$0.74	\$9.29	19
<input type="checkbox"/>	<input checked="" type="checkbox"/>	godvine.com	Automatic	278	42,080	0.66%	\$0.03	\$0.22	\$9.23	31
<input type="checkbox"/>	<input checked="" type="checkbox"/>	answers.com	Automatic	264	97,239	0.27%	\$0.03	\$0.09	\$9.13	25
<input type="checkbox"/>	<input checked="" type="checkbox"/>	indiatimes.com	Automatic	150	25,283	0.59%	\$0.05	\$0.28	\$7.08	20
<input type="checkbox"/>	<input checked="" type="checkbox"/>	wordpress.com	Automatic	161	18,230	0.88%	\$0.04	\$0.35	\$6.46	18

The magic of this is that it tells you exactly where Google has been showing your ads. And if you're tracking conversions you'll know which sites are bringing you those conversions and which aren't.

You're paying for clicks regardless of what converts, so you want to trim out that extra cost as much as you can.

First, start by eliminating unwanted impressions. That makes the most sense if your campaign is new. But then (when you've had several dozen or more conversions) go after sites where you're getting clicks but no conversions.

Go through your placement reports and cut out expenditures on sites where you're not getting substantial enough conversions. Simply put:

- (1) Rank all of the domains you're showing on, in descending order according to cost, and then
- (2) Starting from the top, run down the "Cost per Conversion" column and identify your biggest losers.

This way you get the topmost first, front and center, before dealing with the less significant stuff.

But there's more.

You're not necessarily forced to just slash bid prices on all of your display network advertising across the board. Nor are you necessarily forced to exclude costly sites (or pages) from your list and never advertise on them again.

You have another choice now. Takes extra steps, requires extra management – but at least it's a choice:

If you're getting conversions or sales from a particular site, and the volume is decent but the cost is just beyond what you're willing or able to pay, then add those sites to your "managed placement" list and lower the cost to where you can handle it.

If you have to, bid on them in a separate campaign entirely. Use "site exclusion" wherever you can.

If you need to cut costs and you don't want to trash your "star players," then identify your unproductive 80% (or your 95%) and cut the costs across the board only on those – to a half, a third, a fifth, a tenth of what you're paying now.

In other words, you're doing what we describe in our *Definitive Guide to Google AdWords*, only now you're doing this with sites on the display network, not just keywords.

Odds are, you'll save more than you lose.

### **Finding & Cutting Your Biggest Losses,**

## **by Keyword and by Site.**

Bryan Todd has an old trusted article about how to do a quick run-through of your Google account and spot your biggest single losses immediately. That's here:

<http://www.perrymarshall.com/8020cost.htm>

The principle is: You start general and go specific, eventually working your way down to the one keyword that's responsible for the biggest loss.

Doing so you'll see the 80/20 Rule, or the 95/5 Rule, at work on every level of detail. More than 80% of your losses will come from fewer than 20 of your campaigns; when you zero in on those specific campaigns you find that more than 80% of your losses then come from fewer than 20% of the ad groups in those campaigns; zero in on those ad groups and you'll find the same pattern with your keywords.

So you go from general to specific – then you back out and go general again and knock out the next biggest cause of money loss, and the next, and the next.

But what's key here is that there's an approach that works on the display network as well, that's not campaign- or keyword-based. You can take a site-based approach as well, but there are some quirks of Google's reports you need to know about.

With the display network, you certainly *can* spot your biggest losses by campaign and ad group. It's a good approach that you should use and make changes in bid prices at least generally from group to group, campaign to campaign.

## **But Slice it the Other Way Too.**

Do it by site.

And with Google you can show performance on two levels, not just one:

- (1) broken down by *domains*, to see what sites overall are running up the biggest bill, and
- (2) broken down by URLs, to see what individual pages have been costing you the most.

Just showing what individual pages have been costing you the most won't give you a big-picture sense of what sites overall might be losing you the most money by sheer volume. You might be losing only a few cents apiece on About.com pages, but you might also be showing on and getting clicks from literally a thousand different ones, thereby running up a total bill of hundreds, even thousands of non-converting dollars. Only a domain report will tell you the latter. So you want to look at both levels.


Earlier I showed you results broken down by domain. You can select a single one and click to see all the URLs just for that domain. Or you can see all the URLs for all your domains. There's benefit in both.

<input type="checkbox"/>		Status	Clicks	Impr. ?	CTR ?	Avg. CPC ?	Avg. CPM ?	↓ Cost ?	Cor
<input checked="" type="checkbox"/>	youtube.com	Automatic	3,119	376,643	0.83%	\$0.03	\$0.23	\$87.27	2
<input type="checkbox"/>	anonymous.google	Automatic	2,570	1,314,166	0.20%	\$0.03	\$0.06	\$84.97	2
<input type="checkbox"/>	mail.google.com	Automatic	773	808,783	0.10%	\$0.06	\$0.06	\$48.86	1
<input type="checkbox"/>	about.com	Automatic	388	196,967	0.20%	\$0.05	\$0.11	\$21.21	
<input type="checkbox"/>	livescience.com	Automatic	350	122,068	0.29%	\$0.04	\$0.13	\$15.26	
<input type="checkbox"/>	space.com	Automatic	344	105,178	0.33%	\$0.04	\$0.13	\$13.57	

Google can show you each domain broken down by URL:

<input type="checkbox"/>	URLs	Clicks ?	Impr. ?	CTR ?	Avg. CPC ?	Avg. CPM ?	↓ Cost ?	Conv. (1-per-click) ?	Cost / conv. (1-per-click) ?
<input type="checkbox"/>	www.youtube.com/video/uGcDed4xVD4	53	4,758	1.11%	\$0.03	\$0.30	\$1.43	1	\$1.43
<input type="checkbox"/>	www.youtube.com/video/qngieHWZXcM	36	923	3.90%	\$0.03	\$1.17	\$1.08	5	\$0.22
<input type="checkbox"/>	www.youtube.com/video/uabNtLfYyU	39	999	3.90%	\$0.03	\$1.08	\$1.08	6	\$0.18
<input type="checkbox"/>	www.youtube.com/video/PYrgjMubh-c	20	1,713	1.17%	\$0.05	\$0.59	\$1.01	1	\$0.93
<input type="checkbox"/>	www.youtube.com/video/xE7xRgfPjAl	32	868	3.69%	\$0.03	\$1.04	\$0.90	4	\$0.22
<input type="checkbox"/>	www.youtube.com/video/zKE4Bt8ylhM	22	598	3.68%	\$0.04	\$1.32	\$0.79	3	\$0.26
<input type="checkbox"/>	www.youtube.com/video/DZGINaRUEkU	26	1,957	1.33%	\$0.03	\$0.39	\$0.77	1	\$0.77
<input type="checkbox"/>	www.youtube.com/video/30KfPtHec4s	29	715	4.06%	\$0.03	\$1.02	\$0.73	2	\$0.36

Here an older example. Slightly different interface; same principle. Once I'd ranked everything by cost, I looked over to the "cost per conversion" column on the far right. Instantly I could see that googlepages.com and blogspot.com were losing me the most money overall:



Domain	Ad Variation	Contextually Targeted	Placement Targeted	Ad Group Status	Impressions	Clicks	CTR	Avg CPC	Cost ↑	Conversions	Conversion Rate	Cost / Conversion
gmail.com	Text	Yes		Active	2,220,845	2,045	0.09%	\$0.97	\$1,979.55	386	18.88%	\$5.13
Other	Text	Yes		Active	527,099	567	0.11%	\$0.85	\$480.55	102	17.99%	\$4.71
googlepages.com	Text	Yes		Active	27,417	282	1.03%	\$1.00	\$282.44	6	2.13%	\$47.07
blogspot.com	Text	Yes		Active	8,993	174	1.93%	\$0.99	\$172.67	6	3.45%	\$28.78
googleguide.com	Text	Yes		Active	40,915	156	0.38%	\$0.78	\$121.45	26	16.67%	\$4.67
ezinearticles.com	Text	Yes		Active	30,223	88	0.29%	\$1.14	\$100.14	18	20.45%	\$5.56

The next step would be to run a URL report and find out if there's a handful of individual pages on one or both of those domains that are costing me money.

In some cases you just have to nix the whole domain.

It can take just minutes to spot where your biggest losses are. Then you go make the change. And that in turn cuts out 80-90% of my overspending right there.

(You're never going to get to 100%, and getting to 99% could take weeks, months. But the first 80% is a cinch.)

## Here's Your Summary:

- (1) The 80/20 Rule is a universal law of nature.**
- (2) On the Internet, bigger “skews” such as 95/5 and 99/1 are even more common.**
- (3) When you graph it, it's a curve, not just two flat numbers.**
- (4) It shows you where to spend your time in order to make a real difference.**
  - a. Start out a new campaign getting 60-80% of your final traffic with just 5 or so keywords.*
  - b. For greatest possible leverage, start with just one exact-match keyword in the entire account.*
  - c. All major ad copy, bid price, landing page changes start from that top 5%.*
- (5) Your 95/5 is different from everyone else's 95/5.**
  - a. Keyword tools can never perfectly predict what your star players will be.*
  - b. You'll know for sure what one set of keywords will be your top producers when you set everything up.*
  - c. You'll know whether the best-quality traffic will come from search or content after both have been running.*
  - d. Your 5% of top-producing keywords will be different from your competitor's top 5%.*
  - e. The paying customers that become your top 5% will be unique to you.*
- (6) If your campaigns are not showing the 95/5 trend, then you can still use the 95/5 Rule to spot what's most wrong.**
  - a. There should be a top 5% of keywords that are outpulling everything else 10:1, 20:1.*
  - b. If you've had any impressions at all, ranking your keywords 'Avg. pos' can tell you what **should** be at the top. It also follows 95/5.*
- (7) You can make the 80/20 and 95/5 Rules work in reverse.**
  - a. On your bottom 80% of keywords you can pay as little as a tenth of the price while still getting a third to a half of previous traffic on them.*
  - b. This principle works for placements as well as keywords.*
- (8) You can use 80/20 to spot & cut overspending quickly.**
  - a. Rank campaigns, ad groups and then keywords by cost, then look for high costs per conversion.*
  - b. Using placement reports, rank domains (then later URLs) by cost, then look for high costs per conversion.*