Sponsored links have become a key source of income for search engines. However, the mere fact that certain companies pay to appear in search engines casts a doubt on the credibility of those companies.

The search engine business is right in the middle of change. Last June, Terry Semel, CEO of Yahoo!, pointed out that the search tool had become one of the company’s highest priorities. The recent purchase of Inktomi, the search software manufacturer, for 265 million dollars and Overture, the specialist in sponsored searches, for 1,630 millions is proof of the high stakes the company is playing to drive the search capabilities on the Internet. Even Amazon wants to compete with Google and it has already started negotiations with several publishers to get their collaboration in creating an online archive that will allow users to look for non-fiction texts.

In order to better understand the reasons for the change of direction in the strategies of these companies we need to analyse the present crisis in online advertising. According to the Internet Advertising Revenue Report, online publicity investment in the United States fell by 16% in 2002 with respect to the previous year. The report also points out that the advertising format with the highest growth was search engine marketing that went from 4% to 15% in the same period.

Search-marketing is trying to improve the visibility of a company in search engines and directories so that it is easier to put the user into contact with the company or the information he or she is looking for. This type of strategy is used in 41% of the American marketing departments.

Three of the most frequent search-marketing tactics are paid listings, paid inclusion and search-engine optimisation. The paid listings are small advertising texts (sponsored links) that appear in a separate space at the beginning or in a visible place in the results page of the search engine. In exchange for a payment of between 5 cents and 1 dollar for each impression or click, the site is able to appear in the sponsored links whenever the user writes a key word bought by the company.

On the other hand, paid inclusions do not try to place the company in any particular place of the search engine but to include the company in its data base to guarantee results based on the latest update of the company’s site. This is a solution thought of for companies with a wide range of products and services that usually pay search engines an annual quota of between 15 and 40 dollars although in some cases they pay 25 to 50 cents per click.

Lastly, the optimisation of the search engine means adapting the page to the criteria the search engine uses to list the results. For example, they include key words in the metatags of each page or increase the number of links that indicate the page. This type of service can cost some 75,000 dollars.
Revenue
The first two types earned some 1,190 million dollars in 2002, more than double the 2001 figure, according to the American Bancorp Piper Jaffray. However, this system has certain drawbacks. Two recent reports by Consumer WebWatch and Forrester showed that about 50% of users do not trust the paid listings and are not aware of the system the search engines use to organise sponsored results. This reluctance may significantly damage the reputation of the search engines. In fact, more than 34% of users maintain that they will not use the results obtained from their search engines. Convincing users may take much more than the present explanations on the policies of sponsored publicity, more aligned to the companies interested in these services than to the protection of the users.

Do sponsored links damage the image of search engines?

A legal way to do business
Xavier Oliver, President of BBDO and IESE professor
Considering whether sponsored links are harmful to the image of search engines is like wondering whether television should broadcast advertisements. Although quite a few consumers would answer negatively, without this model they would only enjoy pay TV or public television.
Sponsored links, like any other formula that uses communication platforms to bring trademarks closer to consumers, are a legal source of business provided they protect the rights of the users.
In the case of search engines, these activities could only be judged if they limited themselves to offering paid links, if these did not provide an answer for the information requested, did not differentiate between sponsored or neutral results, or if they reached situations of oversaturated publicity.
Above all, advertising vehicles must ensure that the development of their activities conforms to professional ethics, leaving the consumer to exercise his or her inalienable right of choice.

Towards a necessary distinction
Javier Vello, Senior Manager of PwC
Search marketing solves some of the problems posed by banners, such as the possibility of covering the needs of the public to a greater extent. However, if converting a user into a customer through a link is no easy matter, then it is even more difficult to combine the interests of users, advertisers and the search engine itself with the need to maintain a critical mass of users and generate income through this channel. Moreover, the user still wants to mark time in this relationship and decide when he or she wants to become a customer.
This new form of publicity will be beneficial to all those implicated as long as there is a clear distinction between information and publicity. This dividing line will allow the user to go to the search engine knowing that his or her need of information is going to be satisfied and also, if interested, which companies can solve that need.