

# Implications of Search Engines on the Marketing of Financial Products

## Consumers are learning before they are buying!

### History

The Internet continues to change how consumers handle their finances. First, consumers used the Internet to learn about their institution's products by visiting their website. Next, consumers were given the opportunity to handle their finances electronically with online banking. Now, consumers are using the Internet to educate themselves about their finances, learn about their product alternatives and compare products from dozens or hundreds of institutions before they buy. Nowhere is this more evident than with their use of **Search Engines**. Offering financial education on your website is essential to maintaining current relationships and establishing new ones.

### Consumer Behavior – 30 million financial searches in January 2005

Consumers like using the Internet to manage their finances. It is convenient, fast, non-threatening, provides access to vast amounts of information, and it is very functional for most types of financial activities. The Internet provides consumers with a sense of control over their finances. When consumers think about their finances, they either focus on particular product (mortgage, loan, CD, credit card, etc) they believe they want or they focus on an issue (retirement, saving, investing, etc) they want to address. **This is also the way they use Search Engines.**

Every time a consumer does a search on a financial product or issue, the page they see includes the Search Engine's suggested list of relevant links on the left and lists of "Paid Sponsor Links" on the right or at the top of their screen. Based on that page, the consumer chooses a link (or links) to explore and then **either buys or not.**

The growth in the use of Search Engines has been staggering. Consumers are learning before they buy, especially for financial products and when they buy online. See the reverse side for some details on the number of searches actually performed during January 2005 for various financial terms. **The estimated total was over 30 million.**

### Search Engines – New forces in financial services marketing

Search Engine use is dominated by a few companies - Google (35%), Yahoo! (32%), MSN (16%) and AOL (9%). These companies make money by providing "Paid Sponsor Links" along with suggested links based on their analysis of the website site relevance for the search term that was used. The revenue potential from the sale of advertising (Paid Sponsor Links) has generated huge investor interest in these companies.

	Google (stock symbol GOOG)	Yahoo! (stock symbol YHOO)
Founded	1998	1995
Annual revenue	\$4.5 billion	\$4.4 billion
Net income	\$968 million	\$1.6 billion
Recent price earnings ratio	69	33
Market capitalization	\$95 billion	\$50 billion

### Search Engine Marketing

There are two ways to use Search Engines to generate business. First, you can appear in the "Paid Sponsor Links" area. Commonly called "Cost per Click" advertising, this offers two very distinct benefits:

- You only appear when your products are relevant to the keywords being searched.
- You only pay when someone clicks through to your website.

An effective Cost per Click strategy involves selecting keywords where you want to appear, determining what you will pay for a click and creating effective copy to attract the click. Then, you must monitor results to change what isn't working and leverage what is working and make sure you are not overpaying for those results.

The second approach is to make your website attractive to the Search Engines so you appear on the left in the natural search results. There is no fee to the Search Engines for appearing in their results, but getting high in their results rankings, (appearing on the first page of results), requires the search engines to recognize your site as being highly relevant for the term being searched. The technology associated with that recognition is complex, involving website content, meta-tags and other web design features that attract and appeal to Search Engines.

## Search Activity on Selected Terms in January 2005 From Overture (a Yahoo subsidiary)

These results represent the number of times that the terms listed were searched earlier this year. You should note that the list of terms is far from complete and that these results probably only represent about one third of total searches considering that Google and MSN results are not included.

Terms Searched	# Consumer Searches	Terms Searched	# Consumer Searches
<b>Loan Product Terms</b>		<b>Various Product Terms</b>	
Mortgage	1,501,001	Checking Account Terms	101,813
Mortgage Refinance	423,925	Certificate of Deposit Terms	41,696
Home Equity Loan	338,240	College Funding Terms	21,715
Mortgage Quote	217,942	IRA & Retirement Terms	320,478
Mortgage Second	188,968	Bank	703,143
Mortgage Rate	187,035	Credit Union	249,841
Home Mortgage	152,697	Business Loan Terms	319,592
Other Mortgage Terms*	245,575	Subtotal – Other Product Terms	1,758,278
<b>Subtotal - Mortgage</b>	<b>3,255,383</b>		
		Investing	369,142
Credit Card	1,214,893	Investing Online	461,701
Apply Credit Card	190,939	Investment Real Estate	204,576
Other Credit Card Terms*	1,422,765	Investment	187,614
Subtotal – Credit Cards	2,828,597	Other Investing Terms*	234,064
		Subtotal – Investment Terms	1,457,097
Auto Loan Terms	700,572		
College Loan Terms	298,898	Car Insurance	1,660,755
Debt Consolidation Terms	115,291	Life Insurance	527,762
Personal Loan Terms	2,953,603	Home Owner Insurance	85,241
		Other Insurance Terms*	998,995
Total of Above Loan Terms	10,152,344	Subtotal – Insurance Terms	3,272,753
Mortgage Calculator	576,647	Various Financial Planning Terms	654,817
Other Calculator Terms	489,088	Various Business Planning Terms	200,034
<b>Total searches on these terms during January on Overture sites = 18,561,058</b>			
<b>Extrapolating to include non-Overture sites such as Google and MSN, Total Searches = 30 million</b>			

\*Other term include variations of the primary term and are far from all inclusive.

### Some Conclusions

1. Industry commentators and insiders predict that online advertising revenue will grow substantially. Steve Ballmer, Microsoft CEO, hinted at this by noting that just 500,000 companies advertise on the Internet, compared to seven million in the Yellow Pages.
2. The stock market rewards companies capturing that revenue with very high multiples on their stock prices.
3. The Financial Services industry represents a significant part of the money spent on online advertising. Interestingly, Jupiter Research reported that four categories – retail, financial services, media and entertainment and travel – accounted for 79% of the \$2.6 billion spent on Search Engine advertising in 2004.
4. If your institution does not appear when a consumer does a search on a financial product or issue, and preferably on the first page of listing they see (usually 10 to a page), your chances of generating the transaction with a new customer or capturing the transaction from a searching existing customer are about zero.

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