

## The dark side of paid search

### Guest perspective: Mortgage brokers seek channels for online leads

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Google and Yahoo! both recently reported blow-out financial results for their latest quarterly earnings. Google alone earned a quarterly net profit of \$369 million. This financial bonanza has been largely driven by the popularity of paid search – those listings labeled "sponsored listings" that appear on most search results pages. While paid search has created a booming business for its providers, many advertisers in the mortgage industry are coming to realize that it can be a very expensive way to acquire customers.

Mortgage advertisements on television, radio or in newspapers reach many consumers who are not currently interested in securing a mortgage or buying a home at all. My five-year old son, an avid viewer of the Crocodile Hunter television show on Animal Planet, has seen innumerable DiTech.com commercials but is unlikely to become one of their customers for many years.

On the other hand, paid search is highly targeted, offering advertisers an opportunity to precisely target prospective customers. A consumer that types "California mortgage" into the search box of Yahoo!, Google or any of their many affiliate partner sites, is very likely to be in the market for a mortgage.

The problem for advertisers is that both Google and Yahoo! determine a mortgage company's ranking in the sponsored listings search results area based primarily on the price bid by the advertiser. The higher the price bid, the higher the advertiser's rank in the paid results display order.

Prices often can be bid up to very high levels, and because there is a huge difference in traffic delivered to the top three to five advertisers versus lower ranked advertisers, prices are driven up even further for the top slots. For example, the search term "California mortgage" recently commanded a price of \$10.82 per click on Yahoo! for the tenth slot but that price escalated to \$19.40 per click for the top slot.

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The table below lists the price paid per click by the top 10 advertisers as of April 26 on Yahoo! Search (formerly Overture) for the search term "mortgage":

<b>Sponsored Listings</b>		<b>Bid Price per Click</b>
<b>Rank</b>	<b>Advertiser Site</b>	
1	Avis Mortgage <a href="http://www.avismortgage.com">www.avismortgage.com</a>	\$11.03
2	DiTech.com <a href="http://www.myhomeloanexpert.com">www.myhomeloanexpert.com</a>	\$7.60
3	Low Rate Source <a href="http://www.lowratesource.com">www.lowratesource.com</a>	\$7.59
4	Ameriquest <a href="http://www.ameriquestmortgage.com">www.ameriquestmortgage.com</a>	\$7.58
5	American Federal Mortgage <a href="http://www.amfedmtg.com">www.amfedmtg.com</a>	\$7.56
6	First Financial Mortgage <a href="http://www.ffmconline.com">www.ffmconline.com</a>	\$7.55
7	Go Apply, Inc. <a href="http://www.goapply.com">www.goapply.com</a>	\$7.10
8	HomeLoanSearch.com (etrafficers™) <a href="http://homeloansearch.securesites.com">homeloansearch.securesites.com</a>	\$6.50
9	Countrywide <a href="http://www.countrywide.com">www.countrywide.com</a>	\$6.49
10	LowerMyBills.com <a href="http://www.lowermybills.com">www.lowermybills.com</a>	\$6.01

The prices listed by advertiser are paid per click with each click translating roughly to a unique visitor delivered to the advertiser's Web site. From that point on, it's up to the advertiser to entice that visitor into taking an action such as completing a mortgage loan application. Even well-designed mortgage

Web sites generally are only able to convert about 3-5 percent of site visitors into completed mortgage applications.

Assuming that an advertiser paid a price per click of \$11.03 and converted at a 5 percent rate, their cost to acquire a mortgage application would be \$220.60. Depending on the mortgage originator's ability to convert that application into a funded mortgage loan, the ultimate customer acquisition cost could be a multiple of that initial \$220 application acquisition cost. That is a fairly steep acquisition cost.



For local mortgage brokers, these acquisition costs can be prohibitive. "It is very hard for a broker to economically buy targeted, online traffic because typically the mortgage broker is not nationwide. Even though some consumers do search based on geography, the vast majority don't," says Chuck Hoover, SVP of marketing at LoanApp.com and BestRate.com.

"A more efficient way for mortgage brokers to acquire online customers is to work with a nationwide lead provider who has the economies of scale and can generate highly targeted leads more cost effectively," he added. "Regional brokers can also turn to nationwide lead providers to purchase leads from a specific geography."

Chuck Hoover,  
LoanApp.com

Where paid search really shines is the immediacy of the marketing payoff. If it's the end of the quarter, and your company is short on its production targets, paid search offers a quick way to generate additional, albeit

incrementally expensive, application volume.

So while paid search is certainly a great business for Yahoo! and Google, for mortgage industry advertisers, it should be just one element in your Internet marketing plan. Targeted vertical portals like Bankrate.com, national lead providers like LoanWeb.com or LoanApp.com and untargeted but low cost banner advertising on popular sites should all be part of the online marketing mix.

As Cotter Cunningham, chief operating officer of Bankrate.com says, "if the 'brass ring' is a consumer who is in (the) market for a mortgage, then an advertiser is far more likely to find that consumer on a targeted Web site than on a general interest site."

"The decision is elementary," he added. "You spend more money, but ultimately make more money by reaching more actual prospects." The rules don't change, just the choices.



Cotter  
Cunningham,  
Bankrate.com

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