

Search Engine Strategies
February 27, 2006, NYC

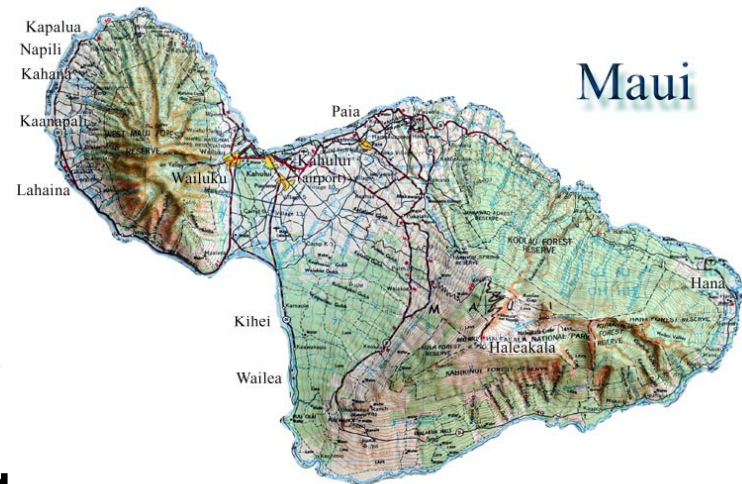
**Click Streams,
Complexity,
and Contribution:**
Modeling Searcher Behavior
Using Markov Models

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Click streams

Vacation ►
hawaiian flight ►
Mauii ► Maui ►
grand wailea resort ►
surf shop lahaina long



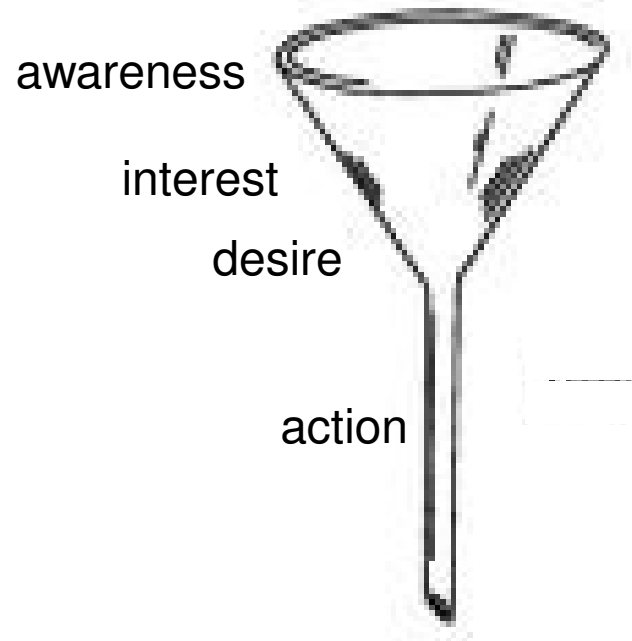
Click values



vacation	550k imps	\$1.02 cpc
hawaiian flight	225 imps	\$0.62 cpc
mauii	584 imps	\$0.16 cpc
maui	110k imps	\$2.14 cpc
grand wailea resort	3335 imps	\$1.22 cpc
surf shop lahaina longboard	0 imps	\$0.10 cpc

Monthly impression counts and #1 CPCs from Yahoo!, Feb 2006

Conventional wisdom



*...more **generic search phrases** indicate a searcher is **higher up in the conversion funnel...***
*generic phrases lay the **groundwork for more specific searches...***
*thus, **even if the economics of more general phrases don't meet an advertiser's ROI target,** general phrases play an essential role in a search portfolio...*

vacation ▶ hawaiian flight ▶ mauii ▶ maui ▶ grand wailea resort
camcorder ▶ digital camcorder ▶ samsung SC-DC 164
safe car ▶ volvo ▶ volvo s80 ▶ volvo s80 atlanta dealer

True?

Often the data say:

NO.

Let's build a mathematical model to see.



three matrix formulas ahead!



A. A. Markov (1856).

Markov model

discrete state, discrete time Markov chain
states $i=1..n$

transition probabilities P_{ij}

“memoryless” property

$$P_{ij} = P(X_{n+1} = j \mid X_n = i)$$

stationary distribution from eigenvectors

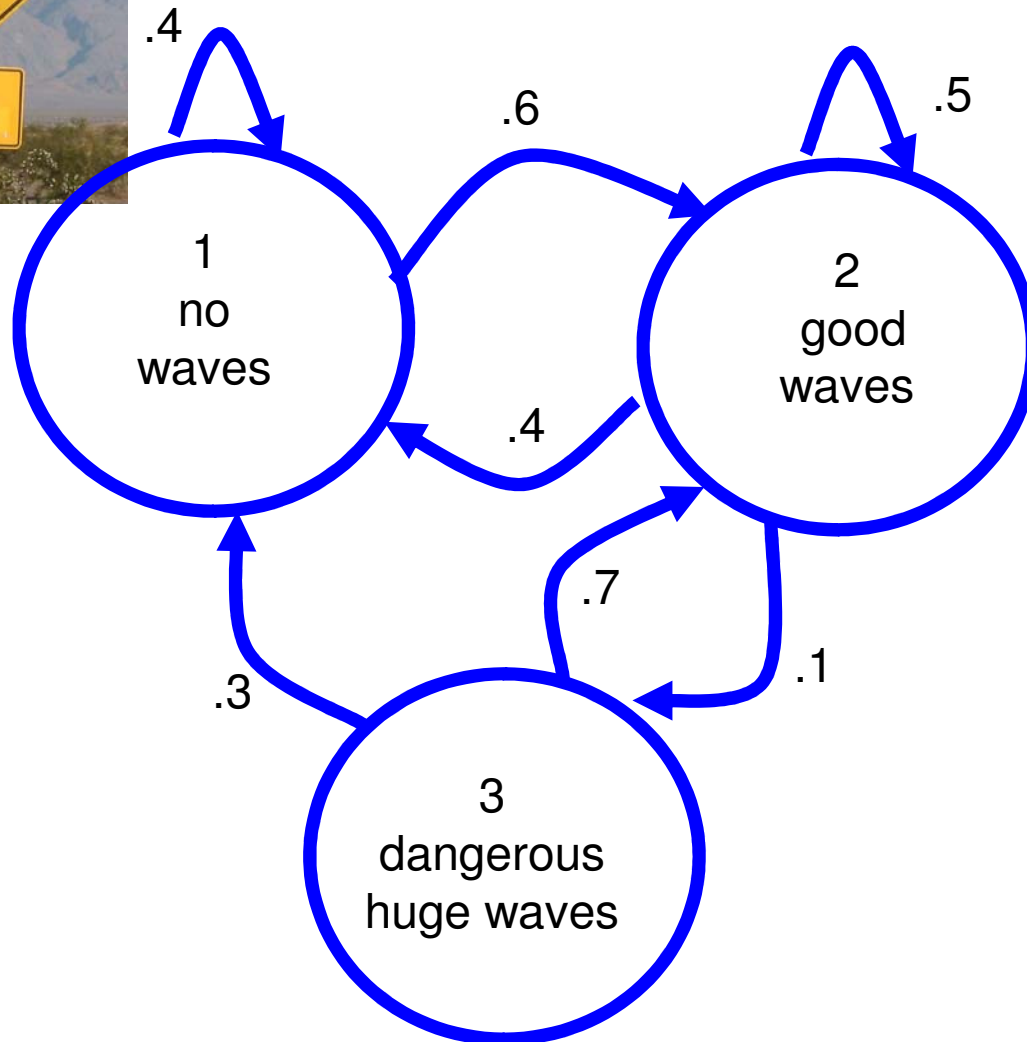
$$\pi^T \mathbf{P} = \pi^T$$

most important for us:

limiting distribution of random walk

$$\lim_{k \rightarrow \infty} \mathbf{P}^k = \mathbf{1} \pi^T$$

Toy example


$$P_{ij}$$

0.4	0.5	0.3
0.6	0.4	0.7
0.0	0.1	0.0

$$\lim_{k \rightarrow \infty} P^k = 1\pi^T$$

$$\Pi_{ij}$$

.445
.505
.050

?@#!

...what the heck does this
math gibberish have anything
to do with SEO / SEM?





SEO / SEM implications

SEO: Google uses markov models for...

PageRank v1

detection of paid links

bad neighborhoods

SEM: RKG uses markov models for...

click stream analysis

SEM click stream complexity

Step 1: Characterize search phrases

1 word phrases

2 word phrases

3 word phrases

4+ word phrases

client brand phrase

SKU

non-dictionary



SEM click stream complexity

Step 2: Characterize click streams

vacation ▶ hawaiian flight ▶ maui ▶ maui ▶ grand wailea resort
1 ▶ 2 ▶ ND ▶ BP ▶ BP

camcorder ▶ digital camcorder ▶ samsung SC-DC 164
1 ▶ 2 ▶ SKU

safe car ▶ volvo ▶ volvo s80 ▶ volvo s80 atlanta dealer
2 ▶ BP ▶ SKU ▶ SKU

Repeat 500,000 times



SEM click stream complexity

Step 3: Estimate transition probabilities, p_{ij}

Dataset:

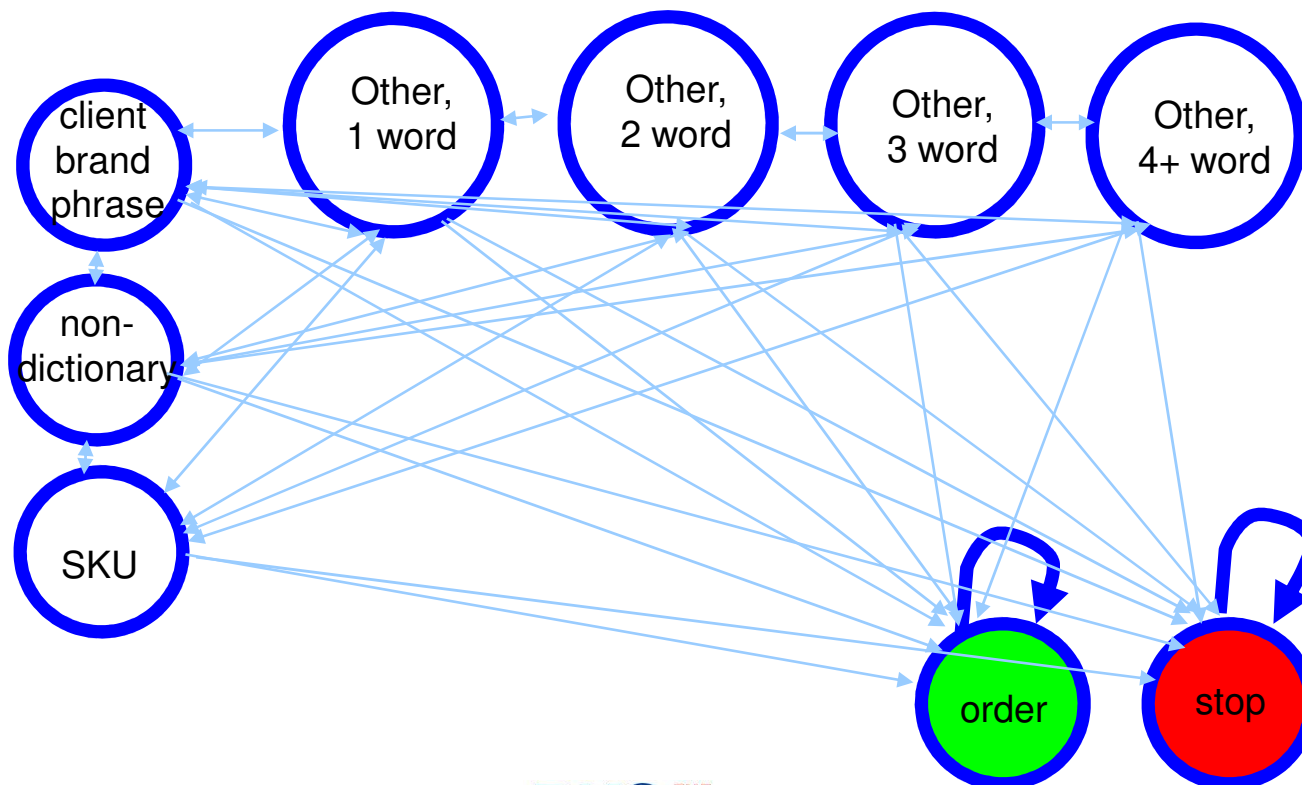
- random sample of 500K clickstreams (695,446 clicks) across 2005
- Google and Yahoo paid search only
- 50+ typical retailers (highly specialized niche retailers excluded)
- B2C only
- order conversions only
- 30 day cookie window
- clickstreams by searcher by retailer



SEM click stream complexity

Step 4: compute stationary probabilities

$$\lim_{k \rightarrow \infty} \mathbf{P}^k = \mathbf{1}\pi^T$$



4 conclusions





1. Many click streams are short.

mean length = 1.4 clicks

significant long tail, however

Marketing significance:

Economics, optimization, & bidding by phrase (rather than by click stream) is an extremely good approximation. Can safely ignore pundits who claim otherwise.



2. Many click-stream are redundant.

P_{ij} heavily loaded on the diagonal.
12% of click streams with >1 click
have duplicates.

Marketing significance:

Browser auto-completion plays a large
role in click-streams and navigation.
Good copy and good landing pages,
tailored to the ad, are critically important.



3. Your brand matters. A lot.

Conversion typically 200% to 300% higher on brand phrases.

Marketing significance:

Break out results for phrases involving your brand. Evaluate your in-house team or your SEM agency on their success driving non-brand sales.



4. Brand for brand, not ROI.

The “funnel benefit” of generic keywords is, for many advertisers, quite small.

Marketing significance:

Choosing to spend large sums on branding through generic keyword buys is a valid strategy. Realize, however, that such ad buys are about branding, not conversion.

Mahalo!



Want to learn more? rimmkaufman.com/ses-feb-06

- this powerpoint presentation
- links to academic research papers for background
- link to free software for markov analysis

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