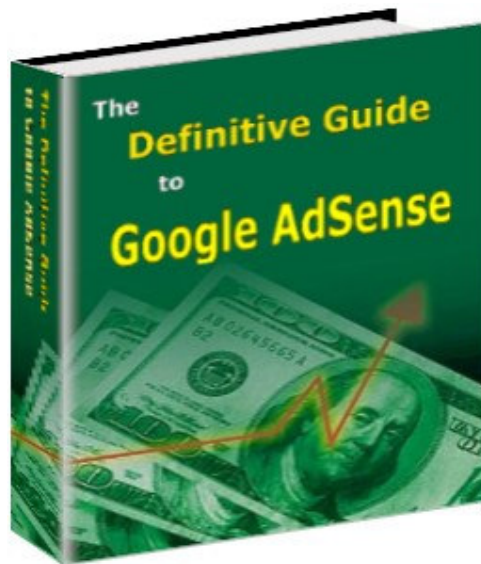


The Definitive Guide to Google AdSense Free Chapter

2004 Edition



“A complete step-by-step roadmap for making and maximising your income from Google’s AdSense program”

By William Charlwood
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To order the complete Guide visit
<http://www.FactsAboutAdSense.com/guide.htm>

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Free Chapter - Introduction to AdSense

AdSense is the name given to the system Google uses for placing its AdWords ads on non-Google sites so you need to know a bit about the AdWords system to understand the way AdSense works.

The other reason why AdWords are important is that they are the source of 100% of your potential AdSense income.

It pays to know who is paying you and why!

By the way, if you're like me you'll confuse AdWords and AdSense for a while. Don't worry. It will all become clear to you soon.

AdWords

AdWords ads are small, text-only advertisements that Google sells to people who want to advertise on their network of websites. Here's an example:

[The Truth About AdSense](http://www.FactsAboutAdSense.com)
The inside story of an **AdSense**
partner. Get Free tools & resources
www.FactsAboutAdSense.com

These ads are enormously powerful – much more than their appearance would suggest – and the reason is that they are incredibly highly targeted.

For example, you can set up an AdWords ad so that it only appears when someone enters a specific set of keywords.

Suppose you sell and service lawnmowers in Madison. You can easily set up an ad that only gets displayed when someone enters the keywords

“lawnmower service madison”

In fact you can set up AdWords so that the ad that the searcher sees is specifically about what they are searching for, so the above keywords could trigger the display of an ad about Lawnmower Service whereas the keywords **“lawnmowers madison”** on their own could trigger the display of an ad about Lawnmower Sales.

Indeed, part of the trick with AdWords is to think like the person you are targeting. What phrases are they likely to search Google with to find the things you sell?

You can also specify which geographical locations you want your ad to appear in – a process that Google is steadily refining.

At the time of writing, you can limit your ad's exposure to an individual State in the US as well as specific countries and regions around the world.

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What this means is that you can set up your ads so that they are only seen by hot prospects for whatever you sell. Even better, you only pay Google any money when someone actually clicks on your ad.

When they do click, they are taken to your website and you can specify precisely which page to take them to. It doesn't have to be your home page so extending the above example, the first ad could take people to a page about lawn mower repairs and the second ad could take people to a page about lawn mowers for sale.

So that's the basic function of AdWords and they currently generate some 95% of Google's total income of around \$1 billion which is impressive when you consider that many clicks only cost the advertiser 5c in the US.

Importantly for you, **they also generate 100% of your AdSense income.**

Bidding for keywords

When you set up your AdWords campaign you state how much you are prepared to bid for the keywords that will trigger your ad.

If there is no one else bidding in your market, even if you bid a high price you will still only pay Google's minimum click through charge and the reason is down to the way Google calculates the cost of each click you get – a system which rewards your bid price and the popularity of your ad (as measured by its click through rate) in equal measure.

Google ranks ads according to a formula that calculates the value of your bid price multiplied by the click through rate of your ad.

Bidding power = Bid price x Click through rate

In determining where your ad ranks and therefore how high up the page your ad will appear, Google very rapidly calculates this value for all ads competing to appear on the page. If you only need to pay 1c more than another advertiser in order to appear in a higher slot then Google will charge you this 1c more and not the full amount you are prepared to bid.

What this means is that very popular ads can appear at the top of the page even though the advertiser may not be bidding as high as competing advertisers for the same keywords. It also means that advertisers operating in markets where there is little competition rarely have to pay more than the minimum price per click.

As we shall see, this has implications for your AdSense earnings but it also ensures that the ads that generate the highest overall income for Google rise to the top of the ranks. This is good news for you.

For a detailed explanation of the way Google ranks AdWords ads, you need to understand an intriguing type of auction called a Vickrey Second Price auction.

Vickrey auctions ensure the maximum number of bidders enter an auction whilst at the same time protect the winner from over-bidding. (Vickrey was a Nobel prize winner in Economics so he knew his stuff).

For a Special Research note on the AdWords auction model visit <http://www.FactsAboutAdSense.com/vickrey.htm>

The link between bid prices and AdSense income

The whole AdWords system is a lot more complex than the above outline but that is the essence of how it works and it gives you enough background to understand some of the major factors that determine how much money you can earn from AdSense.

When you sign up for the AdSense program, and we'll come onto the details of this later on, you essentially agree to host AdWords ads on your site.

You also qualify for a share of the money that Google earns per click.

Consequently, the amount you earn per click is tightly linked to the amount of money advertisers are prepared to bid for ads that will appear on your site AND how many advertisers are competing against each other: a single high bidder alone will not result in ads that generate a lot of money per click because of the way Google calculates its AdWords charge.

You need to have ads on your site linked to keywords that many advertisers are bidding high for.

How Google decides what ads to put on your site

When you choose to advertise on Google using AdWords you simply select which keywords will trigger the display of your ad and it then appears alongside the search results when someone enters those keywords.

This process doesn't work for ads that appear on other sites under the AdSense program because no keywords have been entered. Instead, Google makes an assessment of the site and selects ads for display on the basis of what it "thinks" or "understands" the site is about.

If an AdSense partner site is all about bird watching then Google will display ads that are relevant to bird watchers on that site.

A site about credit cards will display ads for credit cards.

In practice this process works very well and it is rare to find ads on display that are not at least partly relevant to the likely audience of a site.

Later on in this book we will be looking at ways of making sure Google knows what your site is about because it is an essential part of maximising your AdSense income.

Key distinction

AdWords ads are triggered by the **keywords** that someone searches with.

AdSense ads are triggered by the **content** of the page and site the ads appear on.

The money making process

We've seen how Google charges for clicks on its AdWords ads. We've also seen how the amount paid by the advertiser per click depends on how much they are bidding for the keywords that trigger the click. Finally we've seen that the ads that appear on your site will usually be relevant to your visitors and if they click on an ad on your site, you get a share of the money that Google charges the advertiser.

What you therefore need to do to make most money from AdSense is

- Get high click-value ads on your site
- Get the maximum number of visitors coming to your site
- Get as many of these clicks as possible from each visitor.

Google will then send you a check for any amount you earn over \$100 each month. If you don't earn \$100 in a month, your balance is carried over and added to your next month's earnings and so on until your balance exceeds \$100.

As a clearing out exercise Google also pays out all balances at the end of the year.

In summary:

$$\textit{Traffic} + \textit{Clicks} = \textit{AdSense Income}$$

It's automatic income too

Once you have signed up for AdSense, got your website tuned to maximise your AdSense income and developed a steady stream of traffic you will almost certainly start to generate automatic income – whether or not you do anything to your site in the future.

However, if you want to grow this income you will need to take some active steps.

If your website already benefits from a large amount of traffic, adding AdSense will almost certainly start to create a significant income stream for you almost immediately.

For a First class In-depth Guide to AdWords, the underlying source of ALL AdSense earnings, you can't do better than study Perry Marshall's Definitive Guide to AdWords. Perry provides you with a ton of meaty information in what is one of the best books in the business on AdWords.

In fact, if you are using AdWords yourself to advertise on Google, the chances are you are making some account management mistakes. Perry offers a free email course too that alerts you to hidden pitfalls.

All the details are on <http://www.FactsAboutAdSense.com/perry.htm>

Perry's book was the first one I studied on AdWords and I'm glad I did because it saved me a lot of time and money. His free email course also provides an excellent introduction to AdWords and is ideal for beginners and frequent users alike.

Other resources

There are some neat tricks you can use AdWords for. For example, many people make excellent money by using AdWords ads to sell other people's ebooks!

This is one of the many ways you can make money online without even having a website.

For an in-depth explanation that shows you the process AND how to maximise your profits from this Internet Marketing business, visit this page

<http://www.factsaboutadsense.com/123redirect.htm>

One trick behind making money from AdSense is to use all means possible to drive traffic to your site.

One system can help you do this – it's called FreeViral – and all it takes is 5 minutes of effort.

To find out more, visit

<http://www.factsaboutadsense.com/fv.htm>