Search Engine Advertising Perceived Effectiveness: A Resource-Based Approach on the Role of Advertisers’ Competencies

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ABSTRACT

Search engine advertising (SEA), in which businesses (or advertisers) bid on keywords and pay search engine providers (e.g., Google) to get a secure place on the first page of search results, is a prominent source of revenue for search engine companies, and an effective method for businesses to promote their visibility on the Web. SEA is a complex and dynamic form of advertising and managing it effectively is still a challenge for many businesses, particularly smaller businesses. Building upon resource-based theory, this study has developed a context-specific model for understanding advertisers’ competency factors that influence SEA effectiveness. Using structural equation modelling and survey data collected from 142 businesses, this research has found that SEA effectiveness is influenced by organizations’ ability to manage keywords and bids, ability to analyse and monitor outcomes, advertising expertise, commitment to SEA task, and the use of external experts. Moderating relationships between the factors have been examined, and the implications of the findings for both academics and practitioners have been discussed.

KEYWORDS
Paid Search, Perceived Advertising Effectiveness, Resource-Based Theory (RBT), Search Engine Advertising (SEA) Effectiveness, Sponsored Search

1. INTRODUCTION

Given the critical role of search engines on directing traffic to websites, many businesses employ search engine advertising (SEA) as a key strategy to promote their visibility on search engines’ result pages (Lu & Zhao, 2014; Qin, Chen, & Liu, 2015). SEA is about businesses paying search engine companies to display their link (so-called sponsored links) alongside organic search results. Most search engines determine the pricing through a bidding mechanism and businesses will get charged
each time a web user clicks on their sponsored link (Chen, 2015; Feng, Bhargave, & Pennock, 2007; Jafarzadeh, Aurum, D’Amba, & Abedin, 2013).

Online advertising has been proven to be a successful model of attracting new customers for many businesses (Wang & Vaughan, 2014). Over the last decade or so, a large number of businesses have managed to employ SEA initiatives effectively to channel more web traffic from search engines to their website, to increase sale, and to improve product and brand awareness in the market (Zenetti, Bijnol, Leeftang, & Klapper, 2014). However, for many other businesses investment in SEA has been nothing but a waste of money and energy (Abrahams, Barkhi, Coupey, Ragsdale, & Wallace, 2014; Barry & Charleton, 2009; Karjaluoto & Leinonen, 2009). There is no shortage of entries on the Internet and web forums from those advertisers who have failed to gain a sustainable business advantage out of their SEA practice (J. Jansen, 2011).

Thus, the question is why some businesses are able to employ SEA effectively and gain business advantages out of it while others cannot? The answer might be attributed to the nature of SEA advertising; as despite its attractiveness to many businesses, SEA is a complex form of advertising and managing it effectively is a difficult task (Barry & Charleton, 2009; Laffey, 2007; Lu & Zhao, 2014). Previous studies found that organizations spend their SEA budget over a period of time, across many different search terms (sometimes hundreds or even thousands), and in a fierce competition with other advertisers (Laffey, 2007). Research has also found that organizations need to actively and closely monitor the progress of their SEA campaign and update their advertisement strategy accordingly (Lu & Zhao, 2014).

The above findings suggest that effective SEA requires organizations to obtain a set of capabilities and competencies. Currently, the existing literature suggests a number of ways in which a business can use SEA more effectively, however, most of these suggestions are primarily based on personal opinions and experiences of practitioners or researchers (e.g., Laffey, 2007), or on studies with limited empirical support (e.g., Barry & Charleton, 2009; Karjaluoto & Leinonen, 2009). Thus, the objective of this study is to conduct an evidence-based empirical research for understanding the underlying factors that may influence effectiveness of SEA from businesses perspective.

Extending our previous research into understanding organizations’ intention to use SEA (Jafarzadeh et al., 2013; Jafarzadeh, Aurum, D’Ambra, Abedin, & Assemi, 2015), the main objective of this study is to explore competency factors that impact effective adoption of SEA by firms. Thus, this research has borrowed insights from the resource-based theory (RBT) (Barney, 1991, 2001) for understanding the drivers of competitive advantages and business success. RBT asserts that the competencies (capabilities, skills, know-hows) of an organization are crucial resources for achieving sustainable competitive advantage and business success (Barney, 1991, 2001). According to RBT, competencies are very contextual in nature and should be determined explicitly in each particular area of research. By applying RBT to the field of SEA, this research develops and empirically validates a context-specific model of the competency factors that may play a role in successful adoption of SEA.

2. BACKGROUND AND LITERATURE REVIEW

2.1. Search Engine Advertising Background

Search engines act as an information gateway to many information seeking and decision-making tasks. Given the critical role of search engines on Web users’ actions and in transferring traffic to websites, many commercial organizations have realized the importance of gaining a high position on the search results page (Feng et al., 2007). However, in reality, it is not easy for a business to obtain a high position on a search results page when thousands of websites are competing for the same position (Jansen & Clarke, 2017; Karjaluoto & Leinonen, 2009). Search Engine Advertising is one of the solutions emerged to overcome this challenge. The innovation of SEA stems from the idea that, given the competitive environment for obtaining top positions in search engine rankings, it
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