

**How to beat Yahoo at its own game** - Mining inefficiencies in the online ad market can be a great way to make a buck, writes Business 2.0 Magazine.

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(Business 2.0 Magazine) -- Where there are markets, naturally there are middlemen, from market makers on the New York Stock Exchange to people who buy stuff cheap on Craigslist and resell it on [eBay](#) ([Charts](#), [Fortune 500](#)).

One lucrative -- and controversial -- form of arbitrage is now going on in the online ad markets. It's known as "traffic arbitrage," and shrewd players are netting thousands of dollars a day exploiting the price differences among Google, Yahoo, [Microsoft](#) ([Charts](#), [Fortune 500](#)), and the lower-tier markets. "It's kind of disgusting how simple it is," one big arbitrageur told me.

The concept is straightforward: Buy cheap traffic for your website from one search engine, get paid more for the ads streamed from another.

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Arbitrage is a major revenue source for some businesses. Shopping comparison sites, for instance, work the major search engines -- buying ads on, say, [Google](#) ([Charts](#), [Fortune 500](#)) -- to send traffic to their sites, which contain ads served up by Yahoo or Google itself. But anyone with some drive and a few hundred dollars can do it.

First, pick an industry, be it a big-volume subject like dating or a narrower topic like gourmet food. Set up a site, but don't buy an expensive domain name, since you're not looking for people typing directly into the browser's address bar. Write a few basic paragraphs about your subject, slap on some images, open an account with Google's AdSense program, and you're off.

Next, you'll need traffic. Get it by bidding on keywords and writing up one-and two-line ads for your website that appear next to the search results. Google has long been the favorite place to buy paid search ads, but traffic arbitrageurs say that right now Microsoft's AdCenter is a great source of cheap, good-quality traffic.

That's partly because AdCenter, which launched in May 2006, has fewer advertisers than [Yahoo](#) ([Charts](#), [Fortune 500](#)) and Google, so the competition isn't as great. Also, traffic arbitrageurs say Microsoft's system is less discriminating than Google's, which, in addition to the price you're willing to pay per click, evaluates various attributes of your site when considering how high to place your ad in its paid search results.

Google, in fact, has been cracking down on some pure arbitrage sites on the grounds that they provide a lousy user experience.

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So which keywords do you bid on? The pros will bid on thousands of keywords for a single site, with lots of variations of phrases and even misspellings, which are cheaper than words spelled correctly.

You can use a keyword tool like Keycompetite.com to see what the competition is doing, and Microsoft's AdCenter will help you generate keywords. Google's [traffic estimator](#) gives a range of prices for what it will cost to land your ad in a top position. Compare that with the cost of the same keywords at Microsoft's AdCenter and you'll get an idea of the spread, although you'll have to experiment before you really know what works.

"Just keep playing it until you hit your sweet spot," suggests Kris Jones, who runs Internet marketing firm PepperJam.

Be inventive. If your site is about gourmet food, Jones suggests you lure visitors by bidding on low-cost phrases like "gourmet jelly," which, in a recent check at MSN, was going for a few cents a click.

Then you can host ads for businesses selling "sturgeon caviar" -- advertisers that might pay a few dollars per click on Google. Will everyone searching for jelly click on your caviar ad? No. But if even a small percentage of them do, you'll soon be eating sturgeon too.