

## Search Engine Optimization: An Enduring Competitive Advantage?

*This article is authored by MOI Global instructor Paolo Cipriani, a private investor, based in Tuscany, Italy.*

In the era of the internet a certain amount of companies perform and create value with business models exclusively based on their websites, enriching them with content in order to attract web users. They make money by sending traffic to other companies, which convert the traffic into customers. The company with a website is usually identified as an “affiliate”, “broker”, or “publisher”, depending on the vertical in which it operates.

The SEO provider gets paid a performance marketing fee once a user is converted into a customer. Among “affiliates”, the few companies that are able to appear on the top of the google search results are the ones that can get the largest part of traffic. Indeed, many researches show that web users click 98% of the time on the first three searches of Google, excluding the AdWords.

Search engine optimization (SEO) is the process to optimize websites to rank higher in queries on search engines such as Google. Only the few companies that succeed in SEO are able to appear with a natural search on the top of google bar for specific topics. Those companies will be able to get the larger amount of traffic creating a sort of “oligopoly” whereas all the competitors will be relegated to a much smaller amount of traffic.

There are examples of listed companies in different verticals all around Europe, for example, Money Supermarket.com and GoCompare.com in personal finance in UK, MutuiOnline in personal finance in Italy, XLmedia and Catena Media in gambling in northern Europe. Taking a look at the most mature sector of personal finance (i.e. insurance, mortgage, energy etc.) in UK, it is easy to illustrate this kind of “oligopoly” I was mentioning before. The biggest comparables are Confused, Gocompare.com, Comparethemarket and Moneysupermarket. The volumes of all the other players are much smaller compared to the big four and it is an inevitable result of few spaces available on the search results on Google. These companies have a strong pricing power, an above average profitability and lastly a high return on investment thanks also to the good scalability.

SEO is an enduring competitive advantage because it can last for a long time for companies that have been invested in this technology for years. It is difficult to replicate for a competitor because it takes a lot of time to be good at SEO, it is not related on how much money you can invest. A fundamental part of SEO is understanding how are structured Google algorithms which keep evolving because they have always been updated. In general, the optimisation is given by providing the right content on the website and linking the website to other high authority website. The content needs to answer the different search queries about certain high value keywords and provides the visitors with the most relevant information in response to their query. A website that is a high quality source by Google can influence positively another website by referencing it. This competitive advantage is not only enduring but also potentially transferable to other business division.

A company that is succeeding in a vertical, for example igaming, due to the SEO, can

diversify into another vertical, for example sport betting, keeping the same probability of success. Whereas the knowledge of a vertical (ex. insurance, mortgage, gambling and so on) can be acquired quite easily and it's not the key success factor, the transferability of this competitive advantage is what make a company being able to keep allocating the capital to the highest returns. An example could be XLmedia that comes from gambling and it is expanding to the nascent and growing vertical of personal finance in USA. What will matter to succeed in this market of huge potential will be, again, an excellence in Search Engine Optimization.