



Winning At PPC Search

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Our 45 Minutes Together

Today's objective:

Using paid search to drive web profits.

Different discussions for another day...

Search for top line

Search for branding

Search for retail traffic

Topics

Keywords

The Long Tail

Keyword types

Brand vs. non-brand

Search Economics

A/S

Half & half rule

Bidding

Secret Weapons

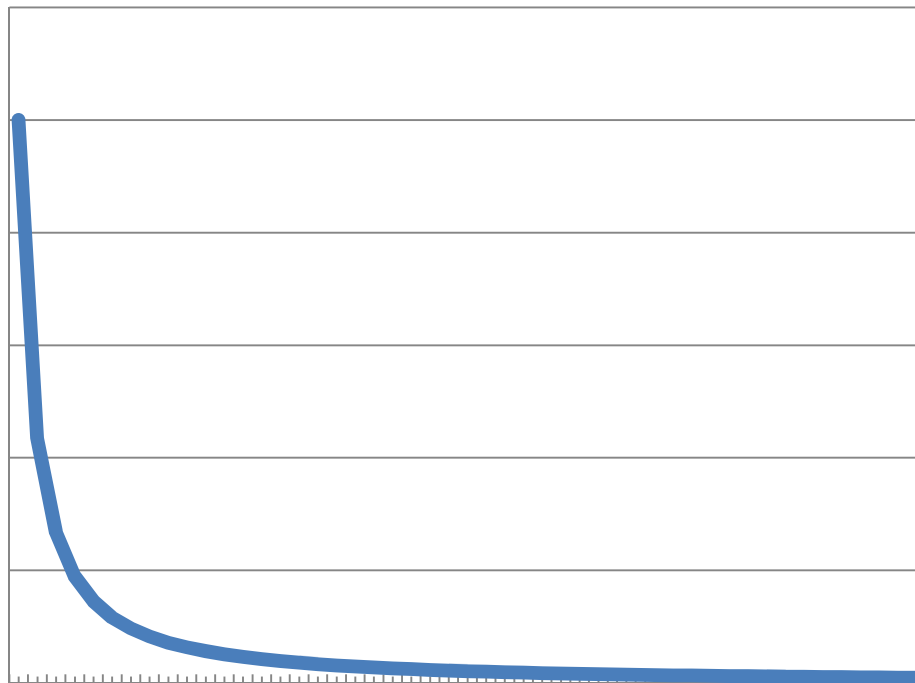
Google quality score

Site conversion

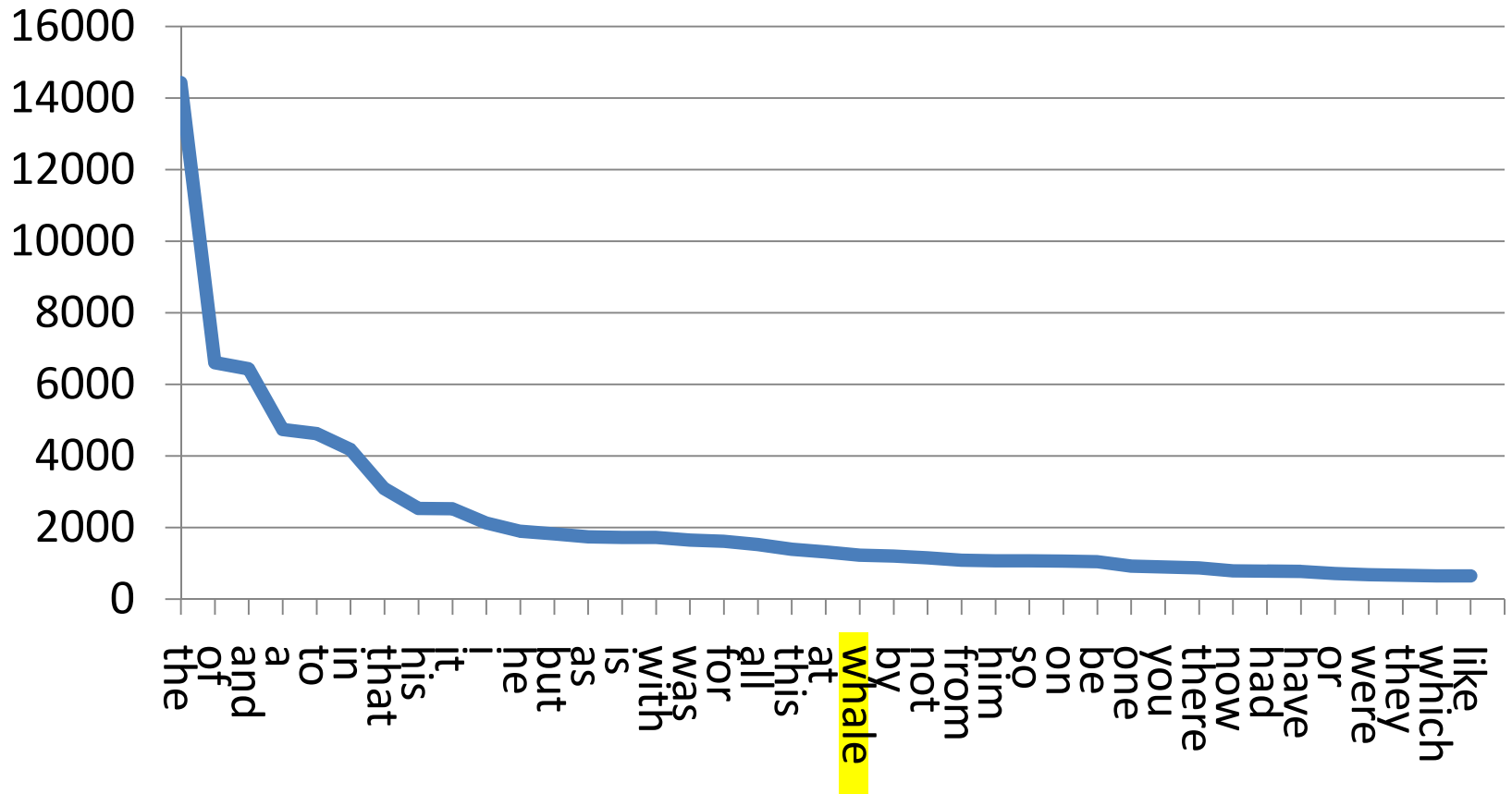


Keywords

The Long Tail



Moby Dick



The Long Tail of PPC

For one national specialty retailer:

Keywords 1-10

64% of clicks

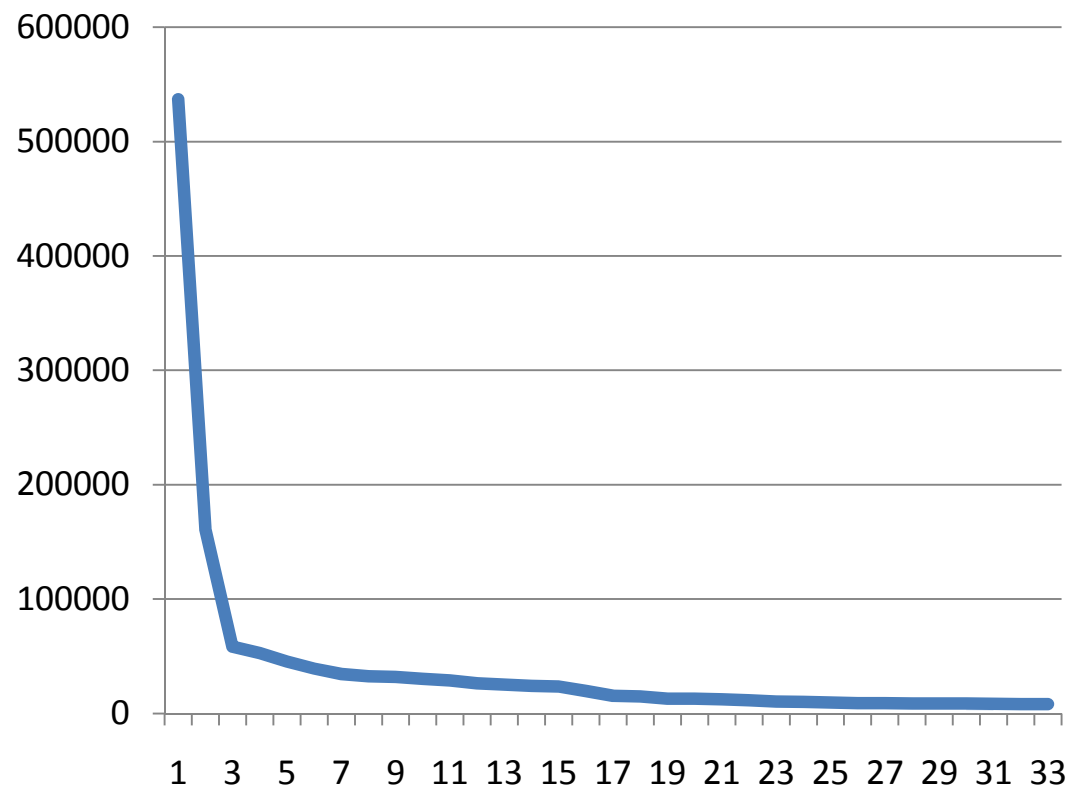
Keywords 11-40

27% of clicks

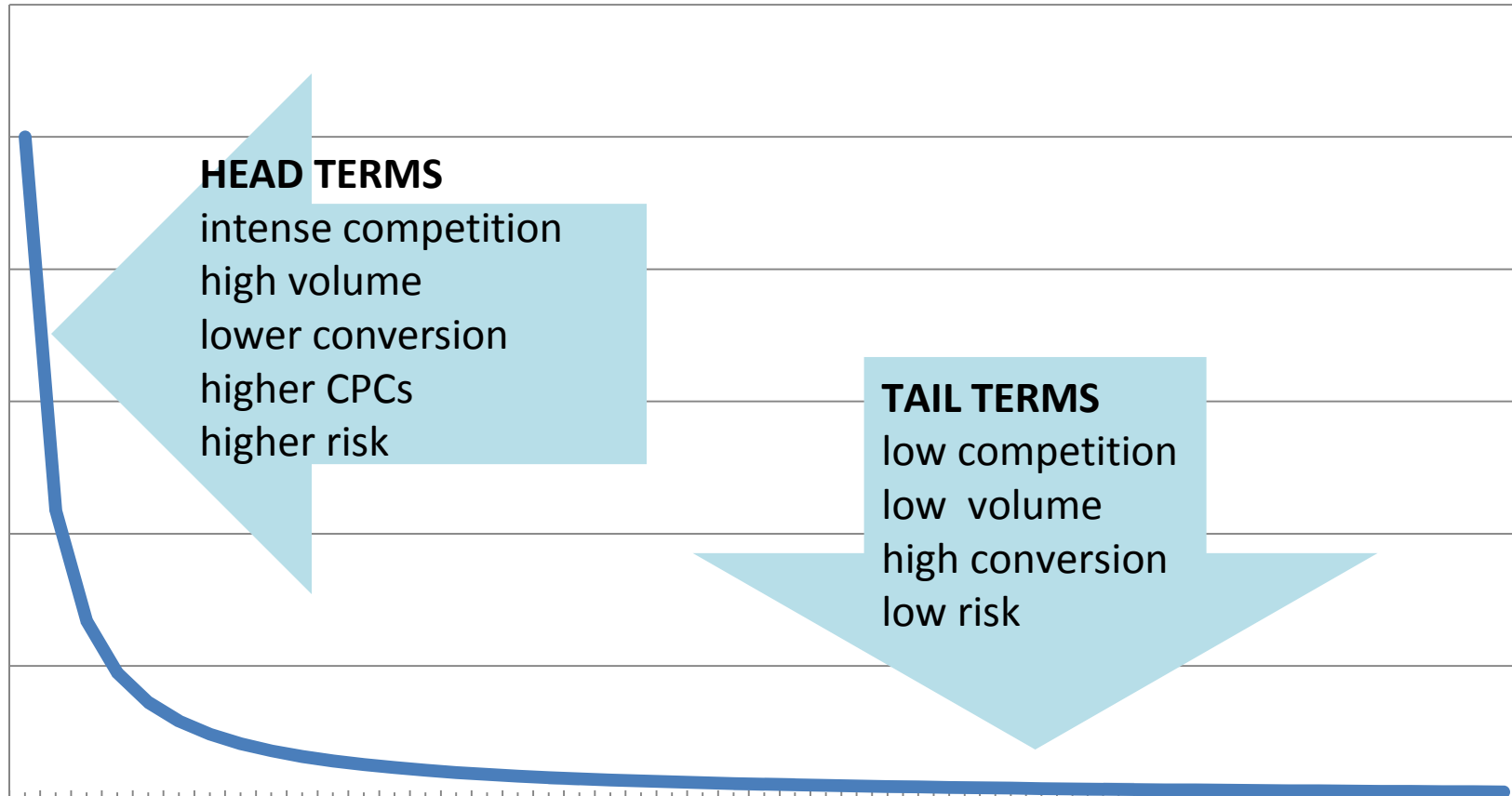
Keywords 41-45000

9% of clicks

16% of sales



Long Tail Strategy



Keyword List Buildout

From URLs to keywords (not keywords to URLs)

Test keywords/URL: 0 to 10, typically 5

Active keywords / tested keywords: typically 1:2

10k pages → 50k tested → 25k active

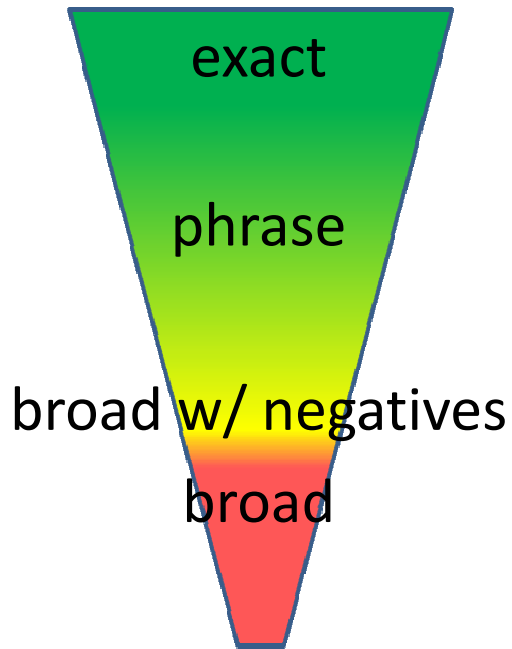


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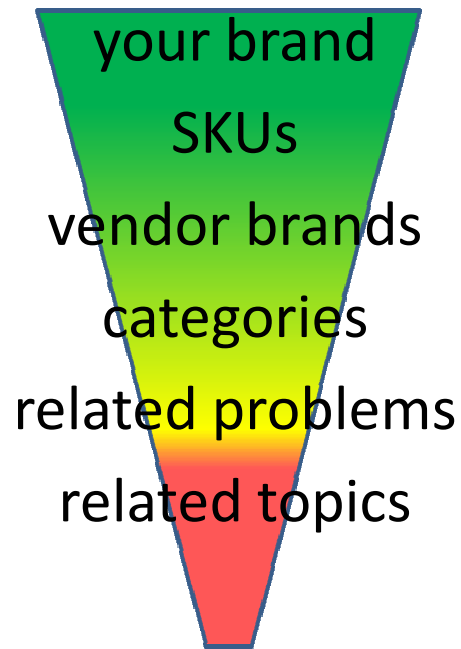
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Click Quality

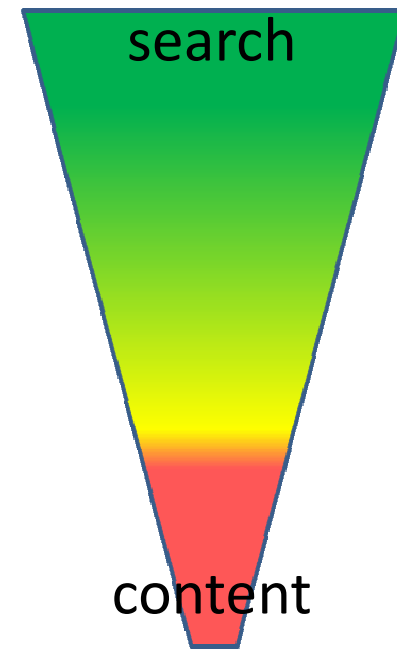
Match type



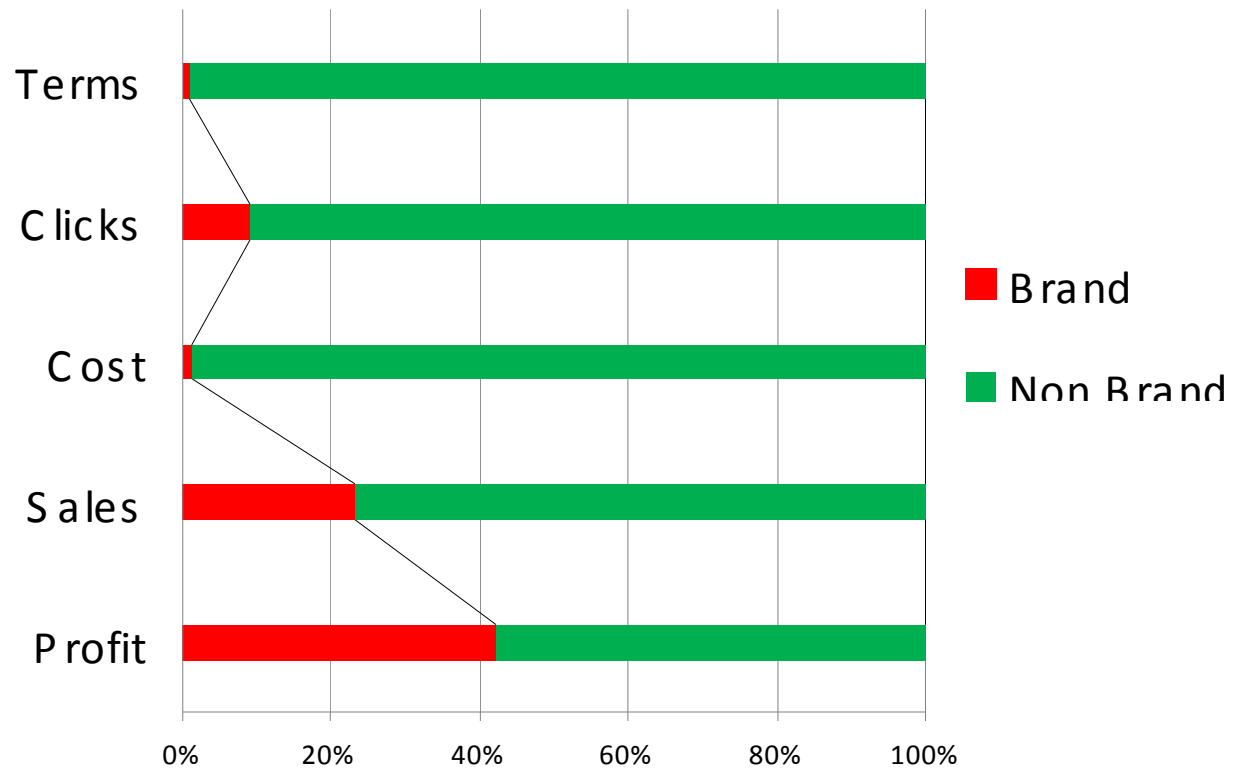
Keyword types



Network



Non-Brand vs. Brand



Task Your PPC Team

“Grow sales from *non-brand* portfolio, aggressively and cost effectively.”



Marketing



PPC Economics

Search Economics

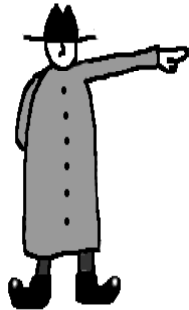


Marketing

	millions	
Gross Sales	11.3	113%
Returns & Cancels	<u>1.3</u>	13%
	10.0	100%
Cost of Goods	<u>4.0</u>	40%
Gross Margin	6.0	60%
Marketing Expense	2.9	29%
Other Variable Expense	<u>0.6</u>	6%
Marketing Contribution	2.5	25%
Fixed Costs	<u>2.0</u>	20%
EBITA	0.5	5%

Search Economics

Merchandising



CEO



	millions	
Gross Sales	11.3	113%
Returns & Cancels	1.3	13%
	<hr/> 10.0	100%
Cost of Goods	4.0	40%
Gross Margin	6.0	60%
Marketing Expense	2.9	29%
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Marketing



CFO



PPC Economics

conversion = orders / visits

AOV = dollars / order

SPC = conversion * AOV

CPC = SPC * A/S



Marketing

Conversion		1%
AOV	\$	150
SPC	\$	1.50
Required A/S		29%
Effective Avg Target CPC	\$	0.44

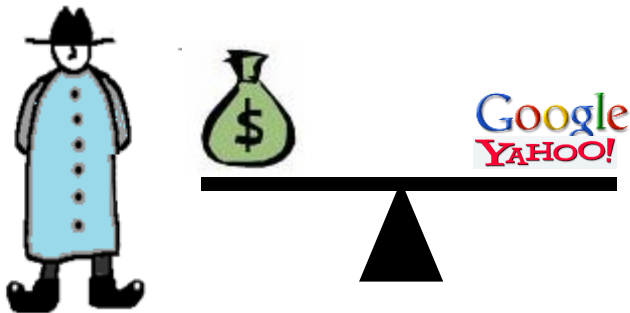
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Half & Half Rule

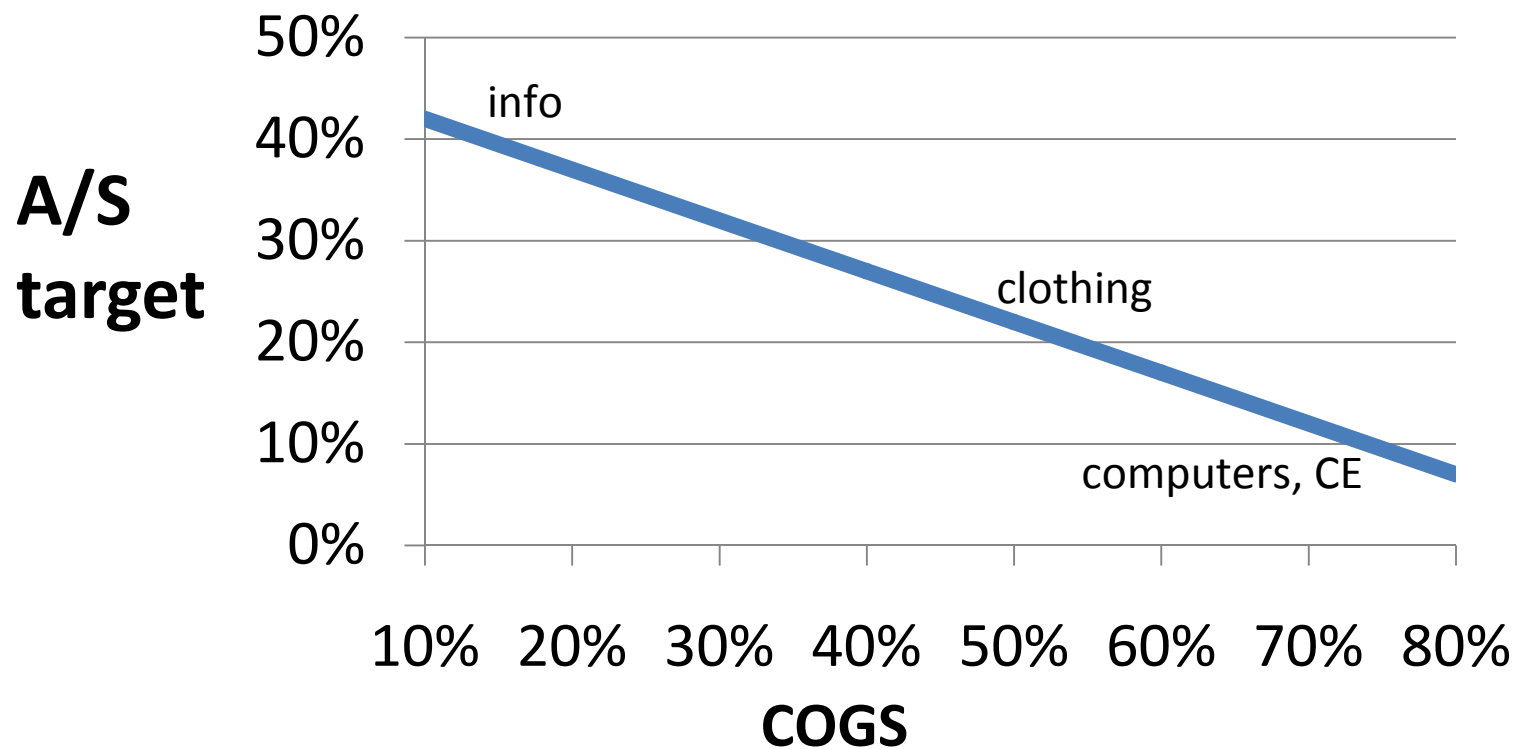
To maximize profit dollars,
invest half your effective margin in
marketing,
reserving half for marketing
contribution.

A/S target = (1-cogs-var)/2

COGS	40%
Other Variable	6%
Loaded Cost	46%
Effective Margin	54%
Effective Max CPC	27%



Margin Drives Ad Spend



Winning at PPC

Comprehensive term lists

Specific headlines, copy and landing pages

Smart bidding

- Head and tail optimization

- Day-parting & seasonality

- Portfolio optimization



2 Secret Weapons

Google Quality Score

High click-through rate

Relevant headline (not keyword replace)

Relevant specific copy

Relevant landing pages (flag)

Well-built AdGroups

Low click-back rates

High initial bids



Site Conversion

Scenario One

1% conversion

\$150 AOV

40% COGS

6% var exp

27% A/S target

\$1.50 SPC

\$0.41 CPC

500k clicks

\$547k contribution

Scenario Two

1.5% conversion

\$150 AOV

40% COGS

6% var exp

27% A/S target

\$2.25 SPC

\$0.61 CPC

2000k clicks

\$3.3mil contribution

**50% increase
in site conversion
yields
600% increase
in profit dollars**

SEM Best Practice Check List

- Large term lists (5x pages): 10k to 100k terms
- Keyword-level bidding & tracking (not adgroup; not average)
- Brand vs. non-brand distinction in reporting & bidding
- Portfolio bid management
- Multiple bidding success metrics
- Margin-based bidding
- Customer-type based bidding (feeds for house-file & merge status)
- Support for human bid overrides and adjustments
- Statistical clustering for low-volume terms
- Time-of-day and day of week bidding
- Hourly bid adjustments
- Post-sale feedback loop (feeds for returns, frauds, cancels)
- Call center tracking
- Retail tracking
- Flexible cookie windows
- Lagged conversion tracking
- Formal statistical testing of copy
- Formal statistical testing of landing pages
- In-stock SKU & availability monitoring
- Click quality monitoring

Thanks!

Thank you for your time.



Marketing

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