

V12 2010

> DOSSIER

BULLETINS FROM THE FRONT LINES
IN PAID SEARCH MARKETING



CRITICAL ADVISORIES

- > Google Bid Simulator and Broad Match Modifiers
- > 5 PPC Lessons for the Holidays
- > Mobile: A Work Still Very Much in Progress
- > Multichannel Attribution: The Results are in
- > What it Takes to be an RKG Analyst

LETTER FROM: GEORGE MICHIE

CO-FOUNDER AND CEO



The online marketing agency world is much like the Wild West: it is difficult to tell who are the good guys in the crowd, the client service oriented firms who stand apart from the sales machines with little more than promises to offer. RKG is strong and growing because we took a different path. By focusing on the technology, analytics and service required to produce superior results, and letting clients find us, we've built a very different kind of agency. We see our role as pursuing our client's goals, not simply selling our clients as much advertising as they will swallow.

We think our focus on service rather than sales pays off for RKG, and our clients. Like many businesses, we track our Net Promoter Score* as a measure of how well we're doing. The results have always been positive, but this year we achieved an 84! I'm truly proud of my team for developing both the technology and the training methodology necessary to produce those kinds of results. That said, the hallmark of a great company is never being satisfied with the status quo and we continue to look for opportunities to raise the bar.

We hope you'll find the content of our Dossier to be deep, rich and actionable. Please reach out to us if you have questions about any of this material or about our services.

Here's to a great Q4!

* Fred Reichheld wrote a book called *The Ultimate Question* in which he presented research showing that there is one survey question that seems to be predictive of a company's success over the next period of time: "Would you recommend us to a friend?". He developed a methodology for tabulating the answers to that question into a number called the "Net Promoter Score" (NPS). The average NPS for US companies is 5; the success stories highlighted in his book had a NPS between 60 and 70.

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UNDERSTANDING THE COMPETITIVE BID LANDSCAPE THROUGH BID SIMULATION

A strong, robust bidding platform must use a combination of historic data and current market conditions to generate the most profitable bids. Using data gleaned from Google's Bid Simulator tool allows for a better understanding of bid history, and thus more informed bids.

Bid Simulator gives us an accurate snapshot of the competitive bid landscape for a keyword over the past seven days. Using

Bid Simulator, you can view the estimated impressions, clicks, and costs for a keyword had the bid been set at a different level.

To achieve this, Google literally stores all ad auction data for the previous seven days.

Bid Simulator then

re-runs every ad auction

- changing only one keyword's bid - to determine the incremental differences in traffic for that keyword, while holding all other variables fixed. This data only applies to Search traffic on Google and their Partner Network, and does not include the Display Network.

Simply put, you are able to answer the following question with a good degree of certainty: "How would my cost and traffic have differed by bidding 10-20% more/less on a given keyword last week?"

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> WHEN AND WHERE IS BID SIMULATOR AVAILABLE?

Bid Simulator was released to all advertisers in the summer of 2009. It was first available via the new AdWords Interface on a keyword-by-keyword basis. This had proven to be the limiting factor for using this information on large datasets as well as monitoring changes to the landscape over time. (Certain keywords may experience drastic changes day-to-day or week-to-week.)



However, as of May 25th, Google released this information via the AdWords API v201003 beta. This is a revolutionary development that allows advertisers greater flexibility to automatically monitor the competitive landscape for a large number of keywords.

> PREDICTING THE AFFORDABILITY OF POSITION 1

Most advertisers would love to be in Position 1 for every search query related to their business. The question is: can they afford it? Since Bid Simulator data estimates the

effective incremental cost and click volume at various bid levels, you can estimate the net ROI and trade-off in volume at each stage.

Let's assume that seeking maximum profitability for the term "widget" is the goal, that we want use Bid Simulator to help, and that we already have keyword data for "widget". Here's the formula for the current marketing contribution on "widget":

$$P_1 = N_1(S(1 - c - v) - B_1)$$

where P1 is daily profit dollars, N1 is daily clicks, S is sales per click, c is the COGS fraction, v is variable marketing cost fraction (pick-pack-ship, credit card discount, warehouse labor, etc.), and B1 is the average cost-per-click; all for "widget".

Assuming that "widget" isn't at the top of the page, when would increasing the bid generate more profit dollars?

Here's the formula for profit dollars at our higher bid, B2:

$$P_2 = N_2(S(1 - c - v) - B_2)$$

Nobody would suggest that the COGS and variable cost fractions vary with bid. Some might argue sales-per-click does vary with position and thus does vary with bid. To a reasonable first-order approximation, however, it doesn't. Sales-per-click is largely position-invariant. Here, we'll treat it as completely so.

Let's represent B2 as the original bid B1 plus an increase, representing the bump by delta, like so

$$B_2 = B_1 + \Delta$$

and let's use rho to represent current marketing contribution per click (MCPC)

$$\rho = S(1 - c - v) - B_1$$

Now we ask, when does bumping the bid by delta cents increase click volume enough to generate more total profit dollars? In algebra,

$$P_2 > P_1$$

requires

$$N_2(S(1 - c - v) - (B_1 + \Delta)) > N_1(S(1 - c - v) - B_1)$$

Equivalently

$$N_2(\rho - \Delta) > N_1\rho$$

or

$$\frac{N_2}{N_1} = \frac{1}{1 - \frac{\Delta}{\rho}}$$

That last equation nails it on the head - so no more algebra. In English, it says, "to generate more total profit dollars by moving higher on the page, clicks have to rise faster than per-click profit falls". On the flip side, this means that there will be auctions

where profit dollars would increase by lowering your position on the page. Think of the possibilities!

**> EVEN IN BID SIMULATION,
CONTEXT IS KEY**

There are, however, caveats to this profit maximization game. The biggest one is that Bid Simulator data is based on historic ad auctions, which may not be indicative of current conditions. This data will not accurately predict traffic at the beginning of a peak season or holiday, but rather will only present data which will prove to be the “calm before the storm”. Similarly, at the end of such a period of time (think right after Christmas) Bid Simulator data will over-predict traffic volume substantially.

A second consideration is that your competitors could also be utilizing this information. And if multiple advertisers are

modifying their bids based on Bid Simulator data, the historic bid landscape holds little relation to current conditions, and those modifications based on (now) “stale” data are less accurate. Finally, we must also consider that this data set is for a fixed and complete seven day period. It does not give insights into intra-day (hourly) or intra-week (daily) competitive bid landscape fluctuations, which could also heavily impact your bid decisions.

Sophisticated PPC bid management technologies are tasked with generating the most accurate bids possible for the current moment, based on historic data and current marketplace conditions. To do so, we must use all of the meaningful, actionable and available information. By layering Bid Simulator data into an already sophisticated statistical model, we are able to improve profit maximization.



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> No Holidays for Seasonal Paid Search

5 STEPS FOR APPROACHING SEASONALITY & HOLIDAY PAID SEARCH

Regardless of whether your company is in retail or travel, you probably experience some level of seasonality in your business.

Without a doubt, gift retailers experience some of the most volatile swings in the industry. Some of our most seasonal “gifting” clients drive over 85-90 percent of their annual revenue in periods as short as five weeks.

Obviously, not all advertisers face such extreme swings and condensed revenue seasons. But the same rigor used for maximizing paid search from these extreme selling seasons can be applied to any level of seasonality, regardless of the duration, direction or intensity.

Here, we present five essential tactics to ensure your paid search program doesn’t leave money on the table - especially when it’s most important for you.

> 1. WRAP UP THAT “LONG TAIL”

Be sure that the keyword term list has been expanded to cover any seasonal items or offerings and unique ways that your

customers may search for your products as a season approaches.

If you’re a retailer selling items that are primarily gift-driven, consider testing appropriately targeted gift terms if it makes sense based on the goals of the program. Unless you’re a retailer who sells most everything like Amazon or Walmart, avoid extremely general terms like “gift”, “gift card”, etc.

If testing these general terms is simply too tempting to pass up, be sure to use targeted modifiers to ensure that the best audience possible is captured. For instance, a hobby store offering a large selection of railroad paraphernalia would be better served testing “railroad enthusiast gifts” rather than “hobbyist gifts.”

If gift certificates and gift cards are a significant addition to your business in peak seasons, and they are available through other channels, adding “YOURBRAND gift

certificate” might not be a bad idea to test, particularly if the click costs would be less than or equal to any revenue share you may be paying to other channels.

> 2. IF YOU PROMOTE IT, THEY WILL COME

Considering it is best practice throughout the year, be sure that your paid search ads are updated with promotional ad copy in a timely manner. Sharing a seasonal promotional calendar with your paid search management team will help ensure that they are capitalizing on every opportunity.

We always recommend testing, but we encourage exercising reason with tests – especially in compressed seasons. For instance, we know that a “50 percent off everything on the site Super Saturday” sale will increase conversion rates that day. Queuing appropriate promotional ad copy to run from 12:00a – 11:59p that Saturday makes sense to set you apart from your competition.

Similarly, distinguishing your site as the place to buy through other selling propositions is equally important. Able to guarantee delivery by Christmas? Have the best reputation

Although mentioning reduced rates or free shipping may not specifically distinguish you from competitors, there may be some categories where NOT mentioning shipping or special offers may negatively set you apart and prevent you from capturing appropriate clicks. Consider what works year-round and compare it to what worked last holiday. When there is not a clear promotional “winner” for the unique selling proposition (USP) in your ad copy, approach the season with a few smart copy tests to verify which USP resonates best with your buyers. The increasing traffic at the beginning of a peak season should help you to determine a winner more quickly than you might other times of the year.

for on-time arrivals in Boston in December? Ad copy is the first place to point that out.

> 3. SHOW ‘EM WHAT YOU GOT

Ensure that your paid search landing pages are closely targeted to their respective search ad. The goal here is to be sure that the keywords you’ve added for new/seasonal products aren’t leaving your customers hanging out on the home page. You want to be sure that your landing pages have a selection of products or offerings that are relevant to the search query.

At the rate of traffic growth and increased conversion during the retail holiday season, there may be opportunity to test better cross sells, up sells, two-for-one offers or bundles on the paid search landing pages. Have these pages ready to test early in the season so you can identify winners and maximize the program.

One classic mistake for approaching annual seasonal peaks is to simply resume the same campaigns that ran last year. It’s likely that landing pages have moved, the bid landscape has likely changed and the product mix or trips that were hot last year may not be top-of-mind now.

> 4. STEP ON THE GAS

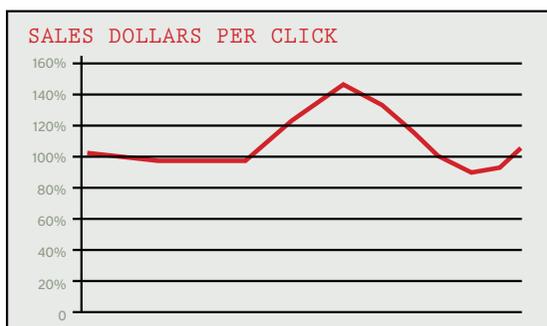
Peak seasons drive peak sales, but for some much more than others. Why? There are two reasons:

1. Traffic volumes increases. Simply put, there are more people shopping and buying. More people shopping means higher PPC sales and higher advertising costs.

2. Shopping behavior changes. In addition to the increasing number of consumers in

the market, the propensity to purchase and anticipated amount spent varies throughout the season.

An increase in the volume of traffic by itself does not change the value of the traffic or what is affordable to pay for each click; it is the changes in the traffic's value that allows for bidding adjustments. It's the change in shopping behavior that affects the value of the traffic and allows a smart PPC manager to make some anticipatory bid changes to capitalize on the opportunities.



So, not only do we see an increase in clicks, but we see a change in conversion rates and average order sizes. If the goal is to maximize sales during the period at the same efficiency as normal then we should push/pull bids proportionally to the changes in traffic value. That way we maintain constant efficiency, and generate the most sales possible.



However, we know that because of order latency many of the orders placed today came from clicks on ads long before. It's important to look at the data from this perspective to be sure that you're pushing bids in a timely fashion.

On the flip side, thinking specifically about Christmas and retail shopping, we know that conversion rates are going to decrease significantly once the gift can no longer be shipped in time to arrive for Christmas. Bids should be proactively pulled back based on this insight.

But how much variation should you anticipate? Look at historical data from previous years and be sure to approach it by starting at the peak of a season and working backward. For instance, if you're evaluating holiday traffic, start with crucial points during the holiday season, like Christmas day or the last day to ship a gift with standard shipping. Then learn from the data by stepping backwards in 1, 2, or 4 week intervals.

5. STOCK IT

Inventory should influence paid search. If the paid search program is not tied back to inventory data, it might be time to consider taking that step. During peak selling seasons, out-of-stock products that are not available for immediate purchase are more likely to drive paid search costs and few sales in a short amount of time.

If it is impossible to arrange an automated method for tying product inventories with paid search, establish a method to manually flag sold-out products and groups of products to be pulled from paid search.

Need a convenient way to monitor your own site's availability on a handful of products and you don't have a reliable product feed? Try Google Reader.

Google Reader can create custom feeds to alert you whenever a specific page has been updated. For example, if you wanted to follow Google.org's latest products, just type <http://www.google.org/products.html> into Google Reader's "Add a subscription" field and click "create a feed". Google Reader will periodically visit the page and publish any significant changes it finds as items in a custom feed created just for that page

This approach can also be used to keep track of specific products or competitors in your space. It can be used to monitor category promotions or even keep track of whether a close competitor has sold out of a key product or category. You may find an opportunity to better compete or to capture more market share.

> A FINAL THOUGHT: HOLIDAY IS BAD TIME TO BENCHMARK

For many gift-based retailers, this is a tempting time to try to look at the data to make decisions for the remainder of the year. After all, there's A LOT of data to model to help you make your decisions.

Except that this isn't the RIGHT data.

Yes, traffic is up, but so are conversion rates. You'll probably notice that your Average Order Value (AOV) looks

a lot different (higher or lower) from November through December than it does mid-Summer.

Resist the temptation to benchmark the rest of your year against these customers. These folks are behaving completely differently than the 10-15 percent of sales you'll get the remainder of the year.

Benchmarking these folks for the next big season? Absolutely a good idea.



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TITLE

EFFICIENCY TARGETS: DON'T SHORT-CHANGE YOUR MARKETING

When setting efficiency targets for a marketing program, it's critically important to step back from the corporate P & L statement and think instead about incremental business.

Let's say the corporate P&L looks like this:

REVENUE		IN \$ MILLIONS	% OF TOTAL REVENUE
	Retail Stores	100	86%
	Call Center	5	4%
	Website	10	9%
	Shipping/Handling	1.5	1%
	Total Revenue	116.5	100%
EXPENSES			
	Marketing	18	15.5%
	Merchandise	65	55.8%
	Operations	7	6.0%
	Rent	9	7.7%
	Salaries	12	10.3%
	Shipping	1.5	1.3%
	Total Expenses	112.5	96.6%
INCOME			
	Net Profit	4.0	3.4%

This is a real scenario. I meet with CEOs who argue, "Look, we only make \$3 in profit for every \$100 order, so we just can't afford to spend money on paid search, we can't gain any traction at that efficiency".

We believe that this is wrong-headed. Net profit percentage has nothing to do with what you can afford to spend on marketing programs.

Others will look at this P & L and say: "I'm

currently spending 15% of my revenue on marketing and still making a profit. I guess I could spend 15% of my paid search sales on media and still make money."

Better, we think but that's not right either. Nor would it be any more accurate to say: "15% + 3% profit means the most I could possibly afford is an 18% cost-to-sales ratio. Otherwise I'm losing money."

THE HARSH REALITY

These perspectives all ignore the fact that we're not talking about what the company can spend on the average order, we're talking about what the company can spend on the next order.

When we start thinking about the paid search program driving incremental orders, the numbers change dramatically, and here's why: many of the expenses on the P & L are unaffected by the costs of attracting and fulfilling the next order. Specifically: rent, salaries and other marketing expenses don't move a bit as a result of spending to drive incre-

mental business, and only some operational expenses scale with additional order handling.

With this in mind, this company obviously does need to cover the cost of merchandise, the cost of fulfilling an additional order, and the cost of the marketing to drive that order. So, on a \$100 order, \$57 goes to cost of goods, perhaps \$9 to fulfillment, leaving \$34 that could be spent on marketing, without cutting into the bottom line.

Let's see what adding \$2 million in marketing expense does to the P & L if it drives incremental sales volume at a 34% advertising/sales ratio:

REVENUE		IN \$ MILLIONS	% OF TOTAL REVENUE
	Retail Stores	100	81%
	Call Center	5.9	5%
	Website	15	12%
	Shipping/Handling	2	2%
	Total Revenue	122.9	100%
EXPENSES			
	Marketing	20	16.3%
	Merchandise	68.3	55.6%
	Operations	7.5	6.1%
	Rent	9	7.3%
	Salaries	12	9.8%
	Shipping	2	1.6%
	Total Expenses	118.9	97%
INCOME			
	Net Profit	4.0	3.3%

We show this as a web marketing program, driving an additional \$5 million in web sales and ~\$0.9 million in phone sales. Obviously the same logic would apply to any type of direct marketing effort.

Notice that the increases in operational costs – tied to additional picking/packing, cardboard, returns processing and credit card fees – scales with the additional sales activity, but does not bite in to the overall bottom line because we factored it into the cost-to-sales target for the additional advertising.

Indeed, while this more aggressive marketing push reduced the profitability percentage it did not reduce the profit dollars. As the saying goes: you don't put percentages in the bank.

Stated one way, this marketing initiative came at an expense ratio (or A/S) of 34%. Stated another way, it came at an average Cost-to-Margin ratio of $0.34/(1-0.57) = 79\%$. This notion of cost to margin allows for more targeted marketing efforts, exploiting margin differentials all the way down to the order level.

This marketing target isn't the ultimate target, but it is a place to start the discussion. A more aggressive target means

investing (losing) money in the short term on the promise of lifetime value, friend referral business and brand awareness. Less aggressive targets may yield immediate term profits, but some lost opportunity for long-term growth.

It bears repeating that, for this company, the total marketing budget can't come in at 34% of sales revenue. We're talking about incremental marketing expenditures for somewhat mature businesses. Thankfully, for most businesses, a good chunk of revenue comes from repeat customers requiring no additional marketing dollars to secure their order. It is these "lay-down" orders that cover the overhead and profits. Getting to the point where repeat customers carry the load may require either tighter incremental marketing efficiency targets to cover overhead and profit, or greater investment and risk tolerance to get to the Promised Land.

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LEARN MORE ABOUT EVALUATING YOUR PROFITABILITY & EFFICIENCY TARGETS. CONTACT
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TITLE

MOBILE: A WORK (STILL VERY MUCH) IN PROGRESS FOR MARKETERS AND DEVELOPERS

Mobile devices increasingly receive the lion's share of press and customer attention in the tech sphere, but from an online advertising standpoint, mobile is still an emerging area of opportunity compared to the personal computer. The problem for those among us looking for direct response in the mobile space is that users just don't seem willing (or able) to complete purchases at a rate similar to desktops.

MOBILE TRAFFIC GROWTH

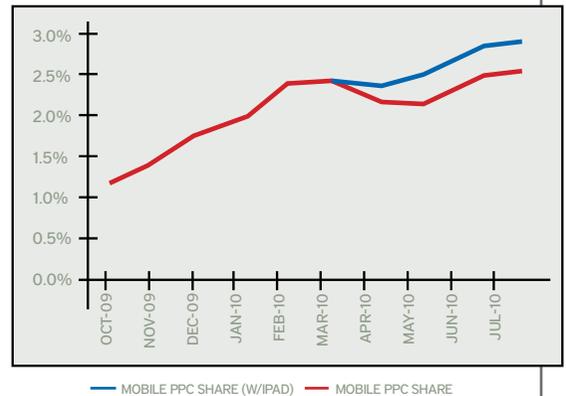
In the last few months, breathless headlines have trumpeted mobile's inevitable overtaking of desktop internet use within the next 3-to-5 years. Most point to Morgan Stanley's recent State of the Internet report that asserts mobile users will outnumber desktop users around 2014. It is important to note that grouped under their mobile umbrella are devices like tablet computers, car electronics and wireless home appliances (more on this distinction to follow).

To retailers, the prospect of having to completely reconsider online strategy to confront this shift is probably frightening, but it's a little early to be hitting the panic button. Common sense, RKG research and the Morgan Stanley report all suggest that mobile Internet usage differs significantly from desktop usage and while Morgan Stanley may be spot on in their core prediction, retailers need not expect to generate the bulk of their sales from mobile devices in just a few years.

As RKG adapts our bidding strategies to account for mobile's lower conversion rates, we see mobile's share of clicks on our paid search ads plateau despite huge sales of the iPhone 4 and a slew of new Android devices. We hope to see improved checkout processes

and web design strengthen our ability to deliver mobile ROI on par with desktop at volume, but there is a long way to go.

Smart marketers are recognizing the limitations of the mobile platform, while developers are working tirelessly to improve the mobile experience or shift the mobile advertising paradigm entirely.



APPLE iAds DEBUT

Apple is making its play in mobile advertising with iAds, which, in early incarnations, appear to focus heavily on branding with only simple requests being made on customers such as signing up for an email list. But branding plays aren't for everyone and, so far, it looks like deploying iAds are limited to those with deep pockets for content production and customer eyeballs.

One app developer reported receiving a \$150 CPM in the first days after launch, while another report suggests early iAd adopters may need to shell out \$1 million just to get their foot in the door. This scenario looks a lot more like a TV buy than a direct response approach through paid search or display.

Google's recently acquired AdMob unit stands to lose the most from Apple's adver-

tising foray as its largely display ads are those most likely to be supplanted by Apple's more interactive options. After Apple revised its terms of service with iOS 4, AdMob feared its ads may be excluded entirely from iOS devices, but to date that has not materialized.

PAYPAL MOBILE EXPRESS CHECK-OUT: A GAME CHANGER?

Meanwhile, eBay subsidiary PayPal may be on the verge of a mobile conversion game changer with its Mobile Express Checkout. The intention of the service is to make the mobile checkout process simpler for users by eliminating the need to enter the same billing and shipping information over and over across different sites.

To date, much of mobile shopping traffic appears to be research oriented, but if PayPal succeeds in removing a few of the bigger checkout hurdles, it could enable a more ROI focused approach by advertisers. It is a bit surprising that this type of solution hasn't already taken hold, but it may just require a big existing player like PayPal with its 222 million worldwide users to create a product that enjoys widespread adoption by both retailers and shoppers alike.

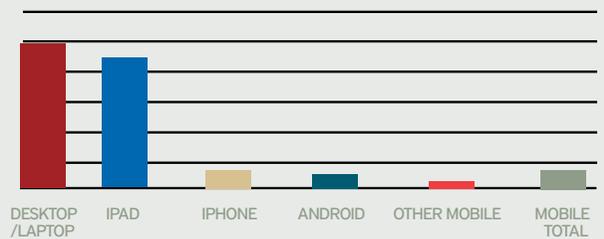
THE IPAD AND THE MOBILE CUTOFF POINT

Highlighting the question of how we best define "mobile" in a period of increasing convergence, the iPad launched earlier this year with Steve Jobs heralding the device as a new "third category" between laptop computers and smartphones. The less generous derided the

iPad as little more than a giant iPod Touch. For the online advertiser though, the key question is where user behavior places the iPad.

Our data suggests iPad users behave much more like traditional desktop and laptop users than mobile users when it comes to online shopping. For our largely retail clients, iPad traffic has converted at 86 percent of the rate of desktop/laptop traffic.

> PPC CONVERSION RATE BY DEVICE



Given conversion rate differences, it would be a mistake to parse out the iPad with smartphones as Morgan Stanley's research does and Google's Adwords settings seem to favor. Instead, iPad traffic is better grouped with traditional computer traffic, particularly for ROI-based advertising strategies.

How the mobile space develops over the next few years or even the next few months should be of keen interest to anyone with a toehold in e-commerce, whether or not the more hyperbolic views of its ascendancy come to pass in the near future. Retailers and agencies need to assess the strengths and weaknesses of the mobile platform, the individual devices that are often lumped together haphazardly and their carefully honed marketing strategies.



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TITLE

MULTICHANNEL ATTRIBUTION: THE INITIAL RESULTS ARE IN

Customers often interact with more than a single marketing channel – email, PPC, Comparison Shopping Engines, etc. – and savvy marketers are looking into the best ways of parsing credit among users’ various touches.

In a previous edition of Dossier, we discussed various approaches to the problem of Multichannel Attribution. Now, we’ll take a look at the Attribution data we’ve collected from RKG’s clients thus far, and show some ways in which we’re approaching this problem, as well as what we’ve learned. Our clients utilizing this service are predominantly retail companies with a strong Internet presence, so your individual results may differ.

> START WITH FREQUENCY OF MULTICHANNEL TOUCHES

To start, while we intuitively know that many users touch more than a single channel, it is useful to know how often this takes place. This can be succinctly expressed as the percentage of orders that are attributable to a single channel vs. multiple channels. While there is (naturally) variation, this single-channel frequency is about 70 percent, meaning that 30 percent of orders ought to be sharing their value among multiple marketing avenues. Figure 1 shows the percentage of orders that are attributed to touch paths representing different numbers of distinct channels.

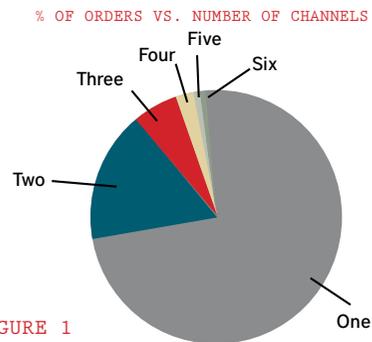


FIGURE 1

We can see immediately that, if we’re using just a first or last click model, we’re not seeing the full picture of what drove nearly one-third of all orders.

Looking more deeply, we find that these percentages are not uniform between channels; in other words, some channels drive orders “unassisted” more frequently than others. To examine this, we compare the number of orders that a channel drove by itself (regardless of if there were multiple touches on that same channel), to the number of orders where that channel played a part, but may not have acted independently. In so doing, we can create a ratio: the number of unassisted orders to the number of total orders.

Figure 2 shows these percentages for our clients among popular channels. Email and Paid Search touches are disproportionately likely to be found working alone, while Comparison Shopping, Competitive Organic Search, and Affiliate touches tend to act in concert with another channel.

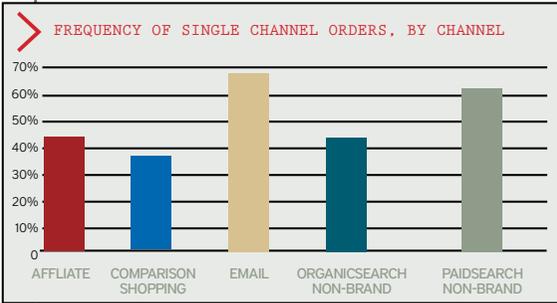


FIGURE 2

In a nutshell, this graph tells us that, in 40 percent of the cases where an Affiliate touch was present, it was the only channel present. Email tops the list at just fewer than 70 percent, while PPC clicks are the only kind of click in just over 60 percent of the cases where PPC is present. In this analysis, we excluded Brand Organic touches and Brand PPC touches, conceiving of those as primarily navigational aids.

➤ PLACING THE LAST CLICK IN PERSPECTIVE

An even clearer picture of how channels interact with one another – and what this means for parsing credit – emerges when we look at what precedes the last click depending on what channel the last click belongs to. In other words, when the last click is of a certain type, what can that tell us about previous clicks, on average?

What we find is quite fascinating. When PPC is the channel of the last click, it acted by itself 72 percent of the time. Affiliates, by contrast, acted alone 55 percent of the time when they are the last click; Comparison Shopping, 63 percent.

The reason numbers such as these are important is because they illustrate how some channels “steal” credit from other channels. Last-touch attribution models give 100 percent of the credit to the last touch, but not all last-touches are equal: some needed more help than others.

We can also gauge the likelihood that a different channel preceded a last touch, which lets us see exactly how credit gets shifted around. For instance, when non-brand PPC is the last touch it is preceded by an Affiliate touch an average of 3.8 percent of the time. Looking in reverse, however, we find that Affiliate touches are preceded by non-brand PPC 15 percent of the time.

The reason numbers such as these are important is because they illustrate how some channels “steal” credit from other channels.

Table 1 summarizes these interactions. Last-click channels are given in Column A, while Row 1 includes preceding touch channels (or no other channels, represented by the same channel). The percentages represent how often the Row channels come before the Column channels.

Channel	Affiliate	Comp. Shop	Email	Org. Non-Brand	PPC Non-Brand
Affiliate	56.20%	7.92%	11.65%	9.44%	19.44%
Comparison Shopping	8.15%	60.44%	5.36%	15.52%	21.69%
Email	4.45%	3.84%	74.62%	5.71%	13.44%
Organic Search-Non-Brand	6.53%	10.94%	5.92%	60.70%	22.75%
Paid Search-Non-Brand	3.73%	3.29%	3.36%	4.74%	72.55%

TABLE 1

What this table says (for example) is that on average, when non-brand organic search is the last touch, it is preceded by an Affiliate touch in 6.53 percent of all orders; a Comparison Shopping touch in 10.94 percent of all orders; and acts alone in 60.70 percent of all orders.

Because of the interaction between the channels, and because the channels behave differently from one another, we come to the crux of the problem: any model that distributes credit purely on the basis of a single touch – whether first or last – obscures part of the picture. While it may be true that, for a given client, channels are equally likely to “assist” other channels, the order of these assists means that credit shifts from some marketing avenues to others unequally.

> **TURNING RAW DATA INTO ACTIONABLE INFORMATION**

To see the effects of different models’ attribution, we compute the percentage gained or lost by a channel when shifting credit between first, last, and proportional models, which is shown in Table 2. For our clients, we compute these shifts in terms of dollars as well, in addition to computing shifts among various rules-based, heuristic models that clients can specify.

As we’ve come to expect, Affiliates are overall the big winners when moving away from First Touch models, and non-brand PPC is the biggest loser. Given how often PPC clicks precede clicks of another type (given in Table 1 above), this is to be found whenever a system relies on a last-click model. Differences among the other channels vary more than this average would suggest – for instance, in some cases Comparison Shopping loses more by moving to last touch; in other cases it gains.

Spending marketing budgets efficiently requires that we have a clear picture of the returns an advertiser gains through each channel. Armed with the knowledge that some channels are contributing more to the bottom line than previously measured – and that some are contributing less – data-driven marketers can shift their resources toward those avenues which are providing the greatest return.

At the end of the day, the goal of Attribution Management isn’t just making spreadsheets or graphs: it’s turning raw data into actionable information that can provide avenues for growing sales and cutting waste. Insights such as the ones we’ve presented have guided our clients toward improved efficiency and better returns.

Channel	First to Proportional	First to Last
Affiliate	18.53%	36.86%
Comparison Shopping	-1.32%	-.056%
Email	-1.38%	-0.64%
Organic Search-Non-Brand	-5.18%	-6.83%
Paid Search-Non-Brand	-2.01%	-19.85%

TABLE 2



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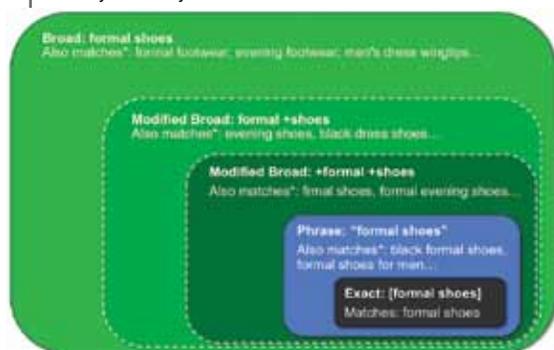
TITLE

REVAMPING BROAD MATCH: GOOGLE BROAD MATCH MODIFIERS HAVE LANDED

By simply adding a “+” to the beginning of any word in a keyword phrase, that word or its very close relatives becomes a required element in the user search string.

Google Broad Match Modifiers (BMM) is used on multiple words within a keyword phrase, and using BMM on all words in a phrase gets us back to good old broad match from 2004/early 2005.

Google’s graphic presents the product very clearly:



There will be a temptation among some to simply use this as a cost-cutting knife. Some will simply stick a plus sign in front of each “token” and be done with it. And, by trimming out the least targeted traffic, costs will drop and will drop much more than the corresponding drop in sales.

However, we’d argue that if a broad match campaign met its efficiency targets earlier, then making it more efficient through use of BMM misses the opportunity to maximize sales within the target efficiency metric. Simply turning the current Expanded Broad Match (“EBM”) into Good-Old Broad Match will allow advertisers to raise bids and capture

more of the higher quality traffic by avoiding the lower quality traffic.

Moreover, BMM will help advertisers reduce self-competition to some degree, forcing Google to serve the most relevant ad, not just the highest bid ad that’s in the relevancy ballpark. This will produce higher CTR and higher conversion rates as the landing pages are more targeted to the user’s search.

We advise caution with respect to doing away with EBM entirely. Some of the expanded matching is incredibly good, catching typos in model numbers and misspellings that no one could anticipate. The key is to use negatives to filter out as much of the lousy traffic as you can, and bid the appropriate amount for the traffic, given that it is less valuable than closer matches.

We’d also advise folks who have sworn off broad match entirely to experiment with BMM campaigns. Trying to catch every permutation and word ordering through exact and phrase match is impossible – and this coming from a firm legendary for being OCD when it comes to keyword creation – so using BMM to expand the field should help.

Whether adding an extra campaign version to the layer-cake is the best approach or something less complex, testing will prove what’s best for each client.

Time spent tuning these new controls will pay significant dividends.

Let's look at some examples of how BMM works. Two obvious uses include requiring (with the "+"):

The advertiser's domain name and trademarks. Preventing the engines from using "brand" ads for general searches, or searches for competitors will save us all a great deal of grief.

Manufacturer brand names within keywords. This will prevent some of the annoying behavior of broad match picking brand specific ads on general searches, or worse other brands, or even worse brands the advertiser doesn't carry.

It could be that within a grouping of related keywords, requiring the manufacturer brand and the most unique other word within each phrase might help Google find not just a match, but the best matches when nothing matches exactly.

EXAMPLE 1:

Under the current extended broad match product ("EBM")

➤ KW = "European vacation packages" could currently be matched to...well... anything, but certainly a user search on "Italian museum tours" could fire an especially un-targeted ad, rather than a more targeted "Italy vacation package" also in the portfolio.

However, using BMM we could restrict this a bit with:

➤ KW = "+European vacation packages", and guarantee that the ad is only served to those searching for something

related to "Europe" or "European". This ad could still fire on,

➤ Query = "flights to Europe" or "European tourist attractions", but would NOT fire on "Singapore vacation deals."

EXAMPLE 2:

Further restricting this to

➤ KW = "+European vacation +packages" would ensure that the user searched for European packages, more than just flights or hotels by themselves, so might be served in response to:

➤ Query = "Europe travel package" or "Tour packages for Europe", etc.

As you can see, BMM is less restrictive than phrase match, but more restricted than the current EBM.

EXAMPLE 3:

KW = "+European +vacation +packages" is good old broad match from the days of yore, before extended broad match made us pull our hair out. This one will only be served on highly correlated searches like:

➤ Query = "vacation package deals for Europe", "Eastern Europe vacation packages", etc.

Thanks again to the Google team for building a brilliant product! Coupled with a comprehensive keyword list, smart use of BMM and a powerful bid management system the enhanced control should make a material difference.



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TITLE

EVALUATING YOUR PAID SEARCH PROGRAM: DETAILS YIELD THE DIVIDENDS

Is your search advertising program healthy? Are you getting as much out of it as you could? How do you know? If you outsource, is your SEM doing the job well?

Don't assume that a big retainer equates to big performance and that your team is paying appropriate attention to the details. A paid search program that performs well in the aggregate does not mean the program is healthy and running at maximum efficiency. Once a year, or more often, a detailed evaluation of your program will pay big dividends in the long run.

Here's how to do it:

FIRST: GATHER DATA

Keyword-level Costs and Sales. Your in-house search manager or SEM should be able to easily provide you with clicks, costs, orders and sales dollars by keyword phrase and engine for the last month or two. Don't be content with the "top 50" or "top 100" terms, you need to see everything. If it isn't easy for them to pull this together quickly, then one of two things is true: 1) they aren't watching the important details of the program; or 2) they're hiding the details because they're ugly. Wave the red flag - your program is broken.

Google, Yahoo, & Bing Term Lists. Have your in-house manager or SEM dump the current active terms with the creative (ad text), the destination urls, the current bids and the current position (average position over the last week or day is fine). Again, this should be easy to access.

SECOND: ANALYZE THE DATA FOR EACH ENGINE

Brand vs. Non-Brand. Sort the keyword-level cost and sales data alphabetically by keyword. See what fraction of your sales are coming from your brand name and permutations (store name, storename.com, www.storename)? When you look at the costs and sales of these brand terms, and more importantly, the cost and sales of everything else, ask yourself if the numbers make economic sense. Don't let sales on your brand name subsidize poor performance on the non-brand phrases.

Bid Management. Sort the same spreadsheet by cost descending, so that the most expensive terms come to the top of the list. Search is a "spiky" business, and it's important to look at a month or two worth of data, to eliminate some of the spikiness.

Assess the 20 to 50 most expensive terms. Pull back the current bid and position from the appropriate term list sheet. Do the bids and positions make sense for these critical terms given the economic results? Are there instances where poor performers are burning your budget? Are there instances where you're bidding too little on great performers and not scoring high on the page? Bidding on mid- to low-traffic terms is a complex statistical game; bidding on the high traffic terms isn't. Don't accept a bunch of mumbo

jumbo about the bids, if the bids don't make sense on the most important terms you can be sure they don't make sense on the rest.

Gauging the rest of the bids. Delete the "brand phrases" from the performance data, as these phrases distort the real picture. Re-sort the list by click-counts descending. Look at the sum of costs and sales for terms with more than 1,000 clicks. Repeat this process for terms with between 900 and 1,000 clicks. Repeat all the way to the bottom, ending with terms with fewer than 100 clicks. Bid management for the lower traffic terms is tough, but if each "bin" of

terms doesn't have reasonable efficiency, that may indicate problems with the system. It's easier to break a fine watch than it is to build one, but if you're paying a lot for the watch, it ought to withstand this scrutiny fairly well.

Term Lists. How thoroughly do the term lists cover your offerings? A decent rule of thumb holds that you

should have approximately five to 10 keywords for every product you sell. Numbers aren't the ultimate measure, as it's easy to inflate a poor list by simply appending or pre-pending "shop for", "buy", "online", "on sale", etc. to each term. Creating a truly comprehensive list with permutations that

actually help capture more traffic is hard work, but well worth the effort. Low traffic, detailed terms convert at a much higher rate than more general terms and are often less expensive.

Ad Copy. Is the ad copy compelling, accurate and specific enough to the product? It usually isn't cost effective to handwrite copy for every single ad, but the templates used should be at least category specific. And, it may well be worthwhile to put extra attention into your top 50 to 100 most viewed ads.

Destination URLs. Grab a random selection of phrases and copy and paste the destination URLs into your browser. Is that the page you would pick to land the user on? If not, find out why the landing page is what it is. Getting the landing pages wrong costs you sales, as many shoppers are not patient enough to navigate beyond a couple of clicks.

If you get to this point and everything looks good, congratulations, your search program is in good shape. If not, depending on the severity of the problems uncovered, ask hard questions or look for a new SEM. If you can't do the examination because you can't get keyword level performance data, fire your SEM or encourage your in-house manager to get the tools they need to do the job well.

Search is complicated and there is a lot of revenue at stake. Getting every detail perfect is impossible, but if you uncover grievous problems...take action!

Your in-house search manager or SEM should be able to easily provide you with clicks, costs, orders and sales dollars by keyword phrase and engine for the last month or two. Don't be content with the "top 50" or "top 100" terms, you need to see everything.



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What It Takes: Making the Cut as an RKG Paid Search Analyst

RKG Analysts act as both client liaison and data analyst, requiring exceptional communication and analytical skills. These qualities are often difficult to find in one person, but define the RKG standard.

We believe that our hiring process identifies excellent candidates for our agency, but we also believe that this process could be adapted to find an excellent web analyst for an internal client-side team. Our interview process is unconventional, prolonged, and challenging. But it works! Here's how.

STEP 1: GATHERING APPLICATIONS

At this stage, more is better. We accept applications year-round to ensure we don't miss out on exceptional candidates based on timing. From the beginning, we get to set the bar high. Not only are we located in the same town as one of the nation's best universities, but there are also very few companies in the town competing for the same type of talent.

STEP 2: SCREENING RESUMES

We don't necessarily seek candidates with experience in paid search specifically. In fact, we prefer those who have no background in paid search; most people with experience have been doing search badly, and debunking all the myths takes too much time. Instead, we look for indicators of a keen attention to detail.

For recent grads, we consider a combination of GPA and major to judge the candidate's work ethic. We also look for the ability to multitask or juggle multiple responsibilities while maintaining an impressive GPA. For candidates with



Our interview process is unconventional, prolonged, and challenging. But it works!

more extensive work history, job stability, initiative, and increasing responsibility are important criteria.

Our analysts are expected to make copy changes on one set of keywords and update landing pages on another, all while running extensive bid analysis and responding to requests from clients. We expect our analysts to be both proactive and reactive, and the qualities defined above suggest how well the candidate will respond to everyday responsibilities.

The cover letter that accompanies the resume is also tremendously important. RKG Analysts are in constant contact with clients (often VPs and Directors at the companies), so clear, concise language and strong writing skills are a necessity. In fact, if the cover letter has obvious grammatical or syntactical errors, we won't waste our time reading the resume.

»»» STEP 3: PHONE SCREENINGS

About 50 percent of applicants are granted a phone interview. The first goal of the phone screen is to see if the candidate can carry on a conversation. Can they speak fluidly? Can they flesh out their experiences clearly and concisely? Do they have a sense of humor? Most importantly – will this candidate be effective in communicating with our clients? Will our clients feel comfortable talking to and working with this potential analyst?

Secondly, we throw a couple of relatively easy puzzles at them. For example: Four students walk to the door of the classroom to line up for recess. How many possible ways can the students arrange themselves? Here we are looking to evaluate

basic comfort with numbers, but more importantly, to see how the candidate reacts to the unexpected. Do they run for a calculator? Do they simply hang up the phone? (Yes, it has happened!)

»»» STEP 4: FIRST ROUND (IN-PERSON) INTERVIEWS

Roughly 60 percent of phone interviewees are invited into the office for the next round. During this first round in-person interview, the recruiting coordinator takes 10-15 minutes to explain the basics of paid search and the industry. The prospective analyst is then put through a quiz using Excel so familiarity with Excel and the analytical thought process can be evaluated. How quickly does the candidate understand the basics? Do they ask intelligent, relevant questions? Can they take the information they have learned and apply it to more unfamiliar situations?

If the candidate struggles with the first step of the quiz, it is not necessarily a deal-breaker. Here we're looking for people who have depth of thought and are teachable. There is a lot to learn and keep up with in the ever-changing e-commerce world. RKG Analysts must be able and willing to catch on quickly and to make connections between known facts and new ideas. The Excel quiz measures these qualities.

If the applicant survives this first feat of strength, they then meet with two Team Leaders (in addition to the recruiting coordinator) for standard interview questions and more puzzles. The puzzles here are slightly more complicated and may require some pencil and paper computation (still no calculator).

Example: Approximately how many basketballs could fit in a 20'x30'x10' room? Again, we're looking at the reaction of the candidate. Ultimately this translates to the most important question: Will they be able to stay cool and calm when clients throw them unexpected or difficult questions? Our analysts must be equipped to respond intelligently & professionally.

Hearing the candidate's thought process also allows us to evaluate comfort with calculations and numbers in general. Do they understand how to appropriately use estimates? Can they intelligently reason whether their answer is in the ballpark? Noticing anomalies in performance is often a springboard for deeper analysis; analysts must be able to recognize when metrics differ significantly from average and understand which other metrics either affect or are affected by the anomaly.

»»»»» STEP 5: SECOND ROUND INTERVIEWS

Only about 40 percent of first round interviewees make it to this final round of torture. More people (upper management included), more questions (tougher, more thought-provoking), and more puzzles (no calculus, but pretty close) - all aimed at

extra assurance that the potential hire fits the bill to be successful.

»»»»» STEP 6: REFERENCE CHECKS

All applicants are required to provide three references, and we use this to gain as much insight as possible. Do the job responsibilities that the candidate described line up with reality? Would you hire them again? If we locked you in a room and wouldn't let you out until you named a weakness, what would it be?

THE END RESULT: EXCELLENCE

From start to end, the process spans 3-5 weeks, but the investment here is well worth the return. Each component of our method carries equal significance and tests for the specific qualities crucial for success as an Analyst. The process has been effective for evaluating both new grads and Analysts who transition to RKG from varying industries. We typically find that our new hires actually enjoyed (in a rather sick way) the rigid, demanding process, and we always find that our Analysts are among the sharpest in the business.



LEARN MORE ABOUT RKG ANALYSTS AND THE HIRING PROCESS. CONTACT
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TITLE

ASK RKG

> WHAT'S SETS RKG APART FROM OTHER PAID SEARCH MANAGEMENT FIRMS?

REVOLUTIONARY RESEARCH

RKG strives to set the standard for PPC advertising. The RKG Blog illustrates industry leading research into consumer behavior, changes in engine settings, and processes for implementation of all the newest features. These thoughts, ideas, and research have been developed from all levels of the Rimm-Kaufman Group.

CLIENT SATISFACTION

RKG manages all accounts with a focus on transparency and client support. Analysts take the approach that they are part of the client's marketing team. That means working with clients to get the best possible performance. It also means working with search engines to make features that best serve our clients.

> WHY IS IT IMPORTANT THAT MY AGENCY CONTACT IS BOTH THE ANALYST AND THE ACCOUNT EXECUTIVE?

EFFICIENT COMMUNICATION

An RKG contact can produce statistics, recall account history, relay account strategy, and communicate changes in copy in a single interaction. This allows a client to call with any question pertaining to the account and quickly get an answer. This saves valuable time for client contacts and allows analyst to continually improve accounts.

SEAMLESS INTEGRATION

When you are working with a marketing service agency, you want all of the processes that are performed to be part of a seamless, streamlined strategy. Any analysis, creative work, and testing should serve to further this strategy and improve the program. With a singular contact, clients can ensure that all aspects of their account are well coordinated.

> WHAT'S AN EXAMPLE OF A PUZZLE THAT RKG USES TO FIND WELL ROUNDED ANALYSTS THAT CAN THINK ON THEIR FEET?

Let's say that you have a perfect wooden cube. You paint the entire outside of the cube. Then, the cube is cut into equal 1 inch smaller cubes, much like a Rubik's cube. How many inches would the large wooden block have to be in order to have an equal number of cubes with no painted sides to cubes with one painted side?

Go ahead and give it a try! See the answer at rkg.co/puzzle.

READ RKG

RKGblog.com is home to one of the most popular and influential on-line marketing blogs in the business. Launched in 2006 and regularly updated with multiple posts per week, RKGblog.com provides insight, research and analysis unrivaled in paid search.

RKGblog.com is also a member of the Advertising Age Power 150.

GO AHEAD.
TAKE A DEEP DIVE.
VISIT RKG BLOG.COM TODAY.



MEET RKG

Shop.org Annual 2010 / Dallas, TX / September 27 - 29
SMX East 2010 / New York, NY / October 4 - 6
PhocusWright 2010 / Scottsdale, AZ / November 16 - 18
Etail West 2011 / Palm Desert, CA / February 22 - 25
Shop.org Innovate 2011 / San Francisco, CA / March 8 - 10

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