



# PPC Management for E-Tailers

Cases & Research

# INTRODUCTION

I have the pleasure in presenting the First Edition of NetElixir SEM Case Series for Online Retailers.

Pay Per Click (PPC) Advertising is arguably the most powerful form of online advertising. Measurability, Affordability, Reach and Non-intrusiveness make PPC Advertising an extremely effective tool for online customer acquisition as well as creating brand visibility.

Efficient PPC Campaign Management can generate exceptional results. Some of the cases would show how “seemingly basic campaign management tactics” can create a disproportionate impact on campaign profitability.

NetElixir specializes in PPC Campaign Management for online retailers. Since May 2005, we have managed more than 200 unique retailer campaigns. Our experiences, learning's, observations are chronologically archived in our in-house knowledge bank.

Through the SEM Case Series, we hope to be able to share with you some of these unique experiences. Each edition of this 10 edition case series, will contain 5 cases. Each case deals with a very specific problem (related to a particular phase of the campaign management process). There is no particular order in which the cases are presented.

Let me put a word of caution, though. The Solution we adopted “may not be” the only solution or even the most optimal solution. Also, as you would appreciate, any solution has a definite dependence on the situation, retail category, time, specific US geography that the campaign was targeted at and numerous other factors. We have struggled to maintain a balance between generalization (important for mass applicability and specificity (important for keeping the “real situation” intact). Some of the suggested solutions may perfectly be applicable for some and not so for others. We have avoided quoting any Company names for confidentiality reasons .

I would be pleased to get a first hand feedback from you about this edition. Feel free to write to me at [udayan@netelixir.com](mailto:udayan@netelixir.com).

Happy Reading!

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# Case 1

## **Importance of PPC Advertising Strategy**

# Importance of PPC Advertising Strategy

## *Situation:*

We know what goal we want our PPC Campaign to achieve. We have been able to quantify our goal. We want to now go ahead and start advertising.

## *Complications:*

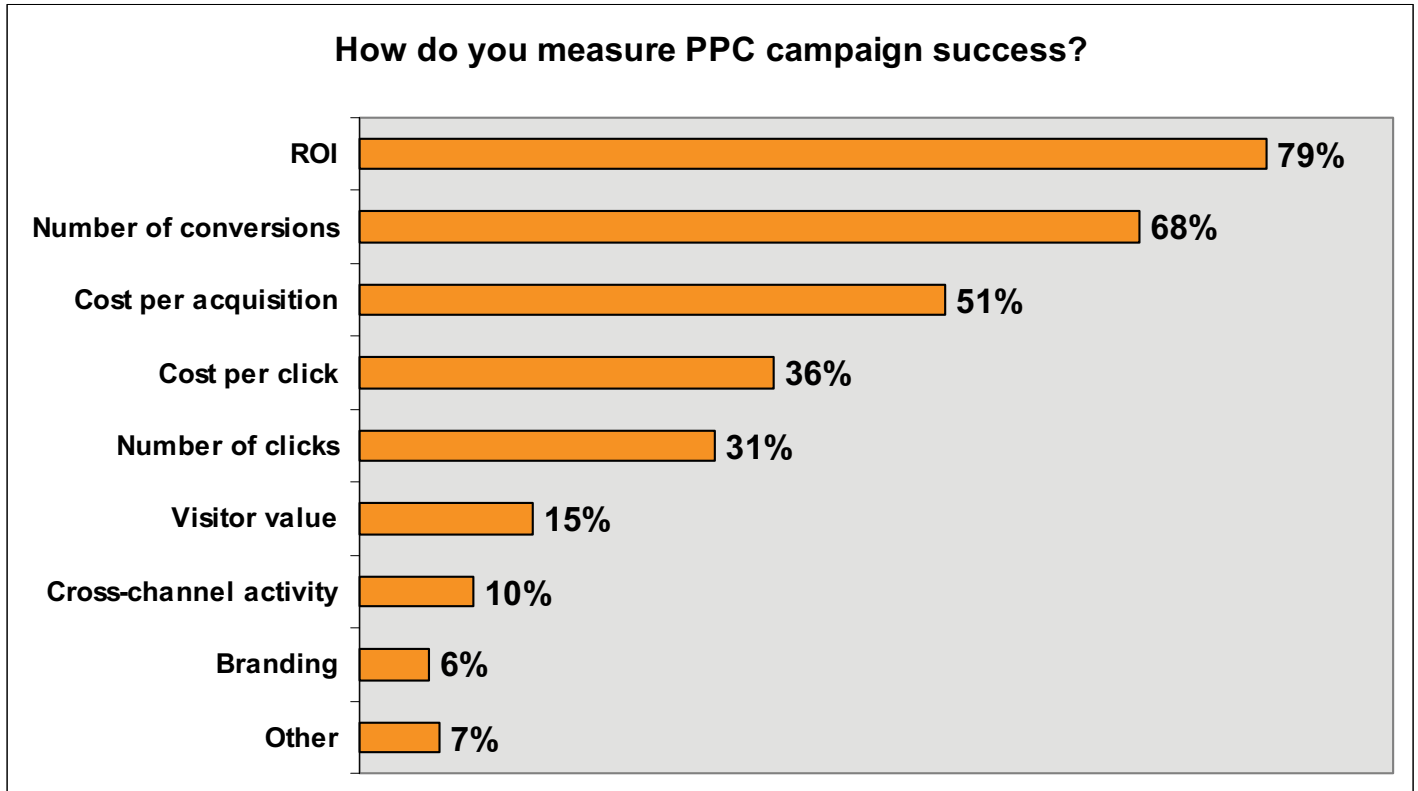
Diving in without a strategy and a well thought out operating plan can be suicidal. The campaigns go live – expectations abound, after a few days – results are no where close to expectations, random tinkering starts – frequent bid changes, ad copy tweaks, landing page edits, keyword list expansion , however, results worsen – panic sets in – a few thousand dollars have been blown – jobs are at stake.

## *Resolution:*

You have the Goal and the Key Metric. Now you need a plan to achieve these. Create Plan A – path you will adopt along with definite checkpoints. Moreover, always have a Plan B ready.

Strategy 

## Top Retailer Key Metrics



Source: 2<sup>nd</sup> Annual Etailer PPC Stress Study, November 2007 by NetElixir and the etailing group

# Case 2

## The People Factor

# People

## **Situation:**

So, you are all set to go live with your PPC advertising. Goals – Budget-Key Metrics – Strategy - Control Mechanisms (KPI/Tools). You now only need the people who could achieve your goals by executing your strategy flawlessly.

## **Complications:**

You need an ad copy writer, an analyst who is comfortable working with analytics solution, a campaign manager who understands the business aspects and is able to combine PPC tactics and business smarts & IT staff to help you with placing the tracking code on website pages. Since the skill sets needed for effective campaign management are quite diverse, one person might not be able to do justice.

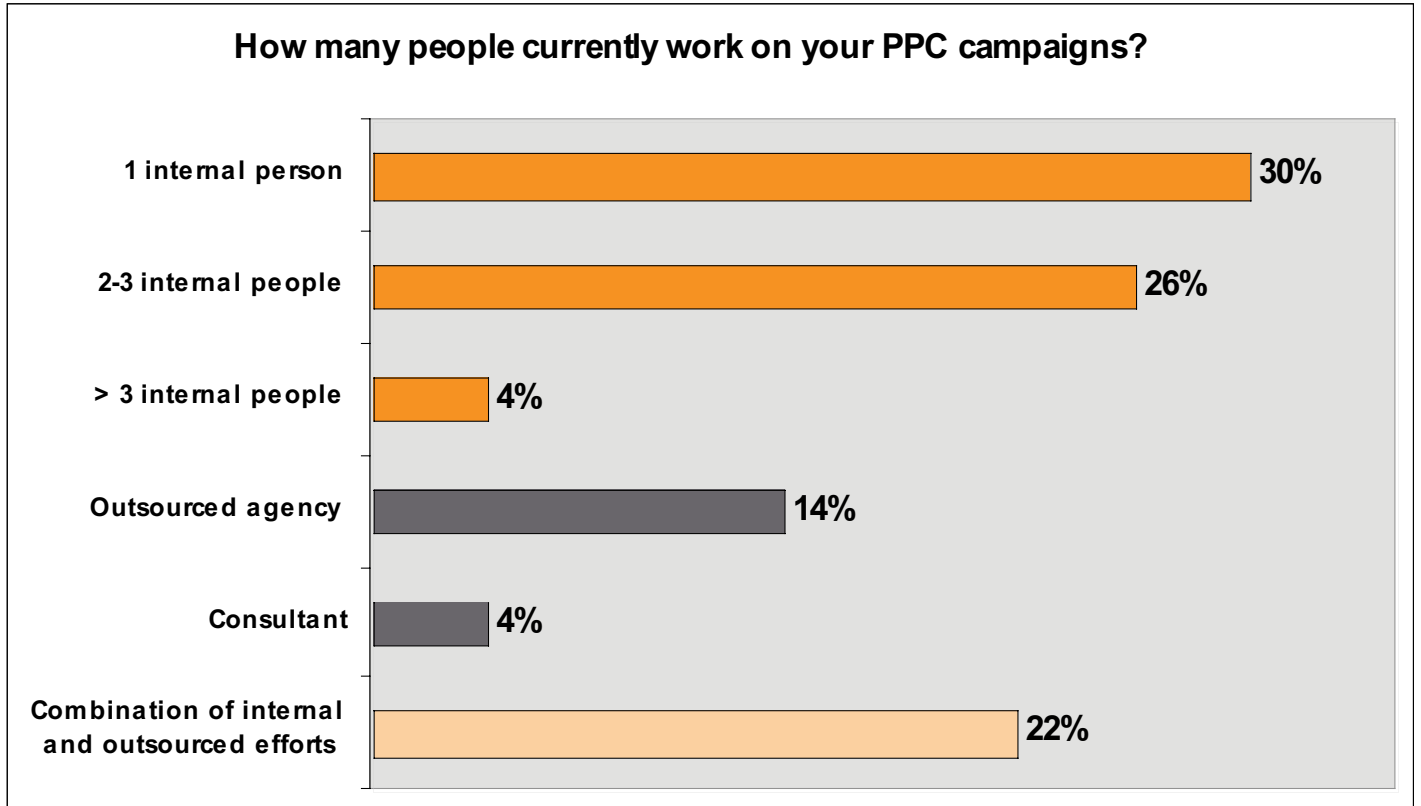
## **Resolution:**

Either hire an agency that has the required capabilities to manage your campaigns efficiently or start investing in build the competencies in-house. In-house capability building would call for investments to be made on training (& re-training), right technology & scalable processes. An interesting observation is that PPC management involves 40% creative work + 60% grunt work. Often having one person responsible for PPC management may not be an adequate solution.

*Note: The 2<sup>nd</sup> Annual PPC Stress Survey done in November 2007 by NetElixir & The etailing group shows that 96% of retailers have 3 or less number of people Managing their PPC campaigns.*

# People

## Who is your PPC Manager?



Source: 2nd Annual Etailer PPC Stress Study, November 2007 by NetElixir and the etailing group

## Case 3

# Making the Long Tail Keyword Strategy Work

# The Long Tail

## *Situation:*

Your PPC Campaign has 30,000 keywords. The challenge is out of these just 100 keywords have ever converted for you!

## *Complications:*

The long tail keywords that you had hoped would work aren't. You don't know where to start cleaning up the keyword list. The performance numbers have reached a plateau.

## *Resolution:*

In 99% cases large keyword lists result due to random keyword additions. Normally, any keyword generation tool worth its salt could generate hundreds and thousands of keywords for any PPC category. To compound the troubles, while keywords are constantly added very little is done towards removing/replacing non-performing keywords.

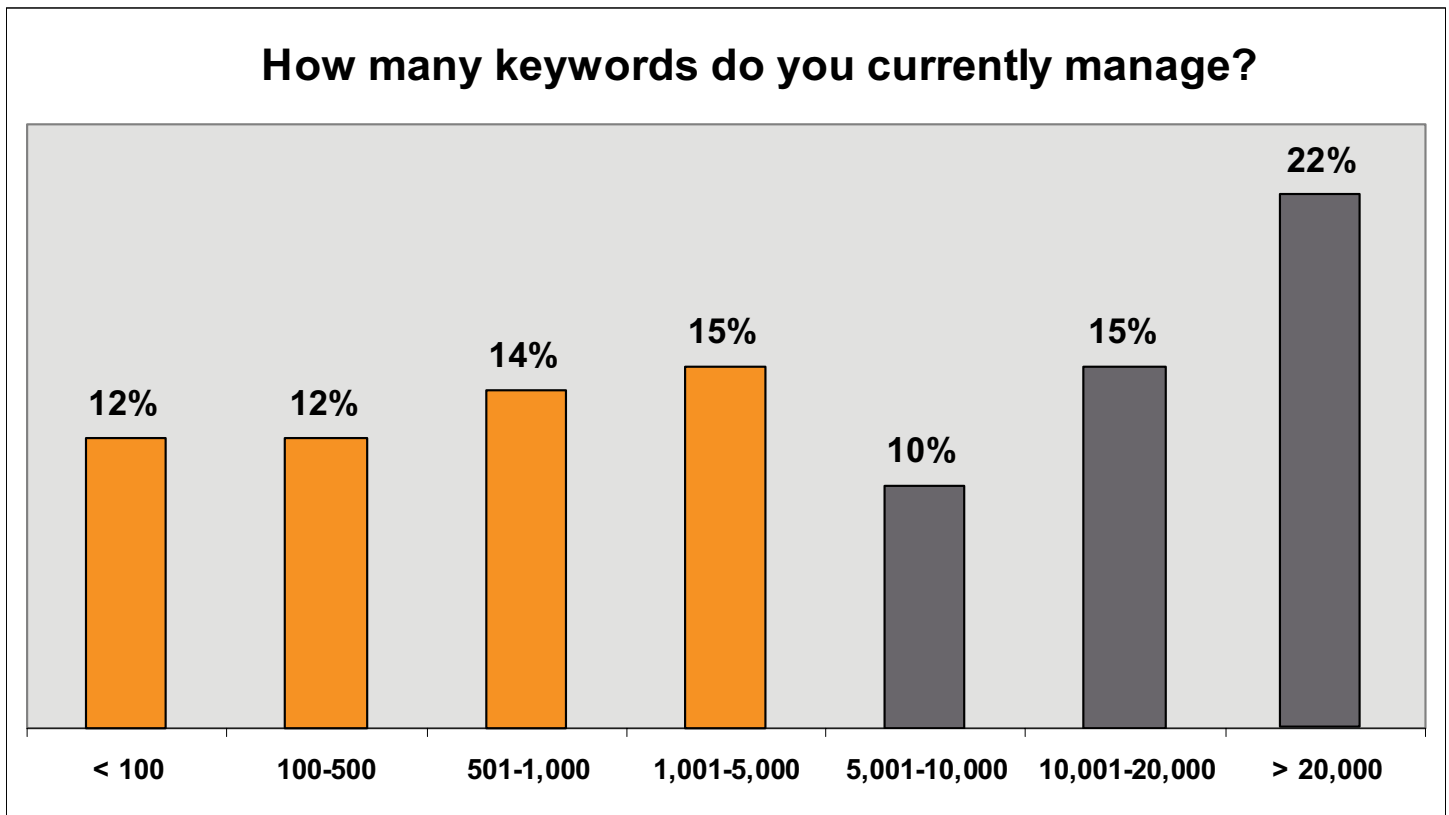
As a result you land up with a bloated list of non-performing keywords. Analyze how many keywords have converted in the last 6 months, how many have generated just clicks but no conversions and how many have not even generated clicks. Have a keyword replacement strategy for each segment.

Unless brand visibility is a key metric, the ideal keyword mix would look like this:

**Converting keywords: Keyword with only clicks: keywords with only impressions:: 1:8:30.** Hence, if you have 100 converting keywords, the total keywords should be 4000-4500. If you have more keywords, they would not even be drawing impressions!

# The Long Tail

## Number of Keywords Managed



Source: 2nd Annual Etailer PPC Stress Study, November 2007 by NetElixir and the etailing group

## Case 4

# How to Reduce Dependence on the Top 20 Keywords

## Top 20 Keywords

### *Situation:*

Top 20 keywords account for 80% of the conversions (or sales revenue)

### *Complications:*

Normally, these keywords are the top ones for all the category players. Hence, they are almost always the most expensive keywords, as well. They are normally not profitable (with the exception of trademark keywords). However, you still need to be present on these keywords just to “attract numbers/mass”.

### *Resolution:*

The Top 20 keyword is a phenomenon that's valid for majority of retailers (especially, the small and medium sized search marketers). The marketer should set quarterly goals to lower the dependence on top 20 keywords. They should have definite plans to achieve the goals. Suggested tactics: More Intensive keyword testing, use of site search results for keyword generation, use of analytics (click path) data, use variants of the converting keywords. Also try using some competitor keywords.

# Top 20 Keywords

## Progressive Lowering of Conversion Dependence on Top 20 Keywords by Setting Quarterly Targets

Month	% of conversions - Top 20 kwds
Sep-05	73.00%
Dec-05	65.13%
Mar-06	64.12%
Jun-06	64.01%
Sep-06	61.48%
Dec-06	59.59%
Mar-07	59.93%
Jun-07	60.31%
Sep-07	58.34%
Mar-08	56.48%

Source: NetElixir Knowledge Bank

*Note: Depicts how dependence on top 20 keywords was lowered progressively by applying optimization Tactics and by setting quarterly targets. The data pertains to Google Adwords Campaign of a large apparel retailer.*

# Case 5

## **Do Longer Keywords Convert Better**

## Do Longer Keywords Convert Better?

### Test:

We wanted to test if there was a co-relation between the length of keyword phrase and conversion rate (%conversions/clicks). 7 retailer accounts (each comprising 5000-10000 keywords) were selected for the test. We created a table where we recorded the % of total conversions from one word, two word, three word, four word, five word or more keyword phrases. This was done on a quarterly basis from Q1,2006 to Q1,2008 (Please see the chart on next page)

### Other Objectives of the Test:

- Is the actual keyword conversion funnel an inverted cone?
- How much has the average length of a converting keyword changed in 2 years?

### Observations:

There was a progressive reduction in the percentage of conversions contributed by one (17%-13%) and two word (57% to 50%) keyword phrases. The contribution of three word keyword phrases increased the most (22% to 31%). Four word, Five word keyword phrases also showed an increase in % conversion contribution. The average converting keyword length has increased by about 11% from 2.05 to 2.28.

### Comment 1:

The inverted keyword conversion funnel seems to be a representation of the “perfect scenario” (probably more applicable at an individual level). However, at an aggregated buyer/searcher level, the funnel is not as perfectly shaped.

### Comment 2:

The buyer/searchers are using longer keyword phrases. However, on an aggregate level, the buyer/searcher sophistication (here the assumption is longer keyword phrases indicate greater sophistication) has increased moderately.

*Note: The data was not gathered from a controlled experiment but from 7 live Google Adwords campaigns. Numerous variables that might have a potential to impact results (like campaign management efficiency, category-wise competition, special promotions, seasonality, et al) have not been factored in here.*

## Keyword Phrase Length and Conversation Contribution

Month	1 word %	2 word %	3 word %	4 word %	5 word %	10. avg length
Sep-05	16.18	57.35	26.47	0.00	0.00	2.1
Dec-05	14.08	53.52	29.58	2.82	0.00	2.21
Mar-06	17.65	60.00	22.35	0.00	0.00	2.05
Jun-06	12.64	57.47	27.59	2.30	0.00	2.2
Sep-06	13.04	51.09	32.61	3.26	0.00	2.26
Dec-06	15.38	52.88	28.85	2.88	0.00	2.19
Mar-07	13.11	53.28	31.97	1.64	0.00	2.22
Jun-07	11.25	53.75	31.88	1.88	1.25	2.28
Sep-07	15.46	48.45	31.96	3.61	0.52	2.25
Dec-07	13.17	53.29	30.54	2.40	0.60	2.25
Mar-08	13.51	50.61	32.61	2.86	0.41	2.28

Source: NetElixir Knowledge Bank

*Note: 7 large online retailer accounts (15,000 - 30,000 keywords per account) were used for the study that spanned 11 quarters*

## About NetElixir

NetElixir specializes in paid search advertising management for online retailers. Using a combination of proprietary search optimization technology and 24x7 human expertise, we have consistently delivered exceptional ROI for top retailers like KSwiss, LuggageOnline, Vermont Teddy Bear, CarpetOne and Shoprite.

The Company is headquartered in Princeton, NJ and has offices in Hyderabad (India), Freiburg (Germany) and Copenhagen (Denmark).

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