USING PRICE REDUCTIONS AND REMARKETING TO IMPROVE THE PERFORMANCE OF SHOPPING ADS

By Ann Stanley - Founder and MD of Anicca Digital

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SEARCH MARKETING EXPO

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A bit about Anicca and Ann!

P Paid
O Owned
E Earned
T Technical

Founded in **2007**

Team of **26**

SMXLondon since **2011**

anicca

University of **Leicester**

Adrian Building

College of Medicine, Biological Sciences and Psycholo

anicca

LED-ZEPPELIN

PETRONAS

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  - 4 experiments comparing cheaper and more expensive products (with data from Crealytics)
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  - Using content "Honeypots" and RLSA for shopping ads
  - Introducing the new "Optimise by Goals" shopping ads with dynamic remarketing

Part 1:
The role of price in Google Shopping

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4 experiments comparing cheaper and more expensive products (with data from Crealytics)

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Experiment 1 – 5% increase in price resulted in 60% drop in clicks

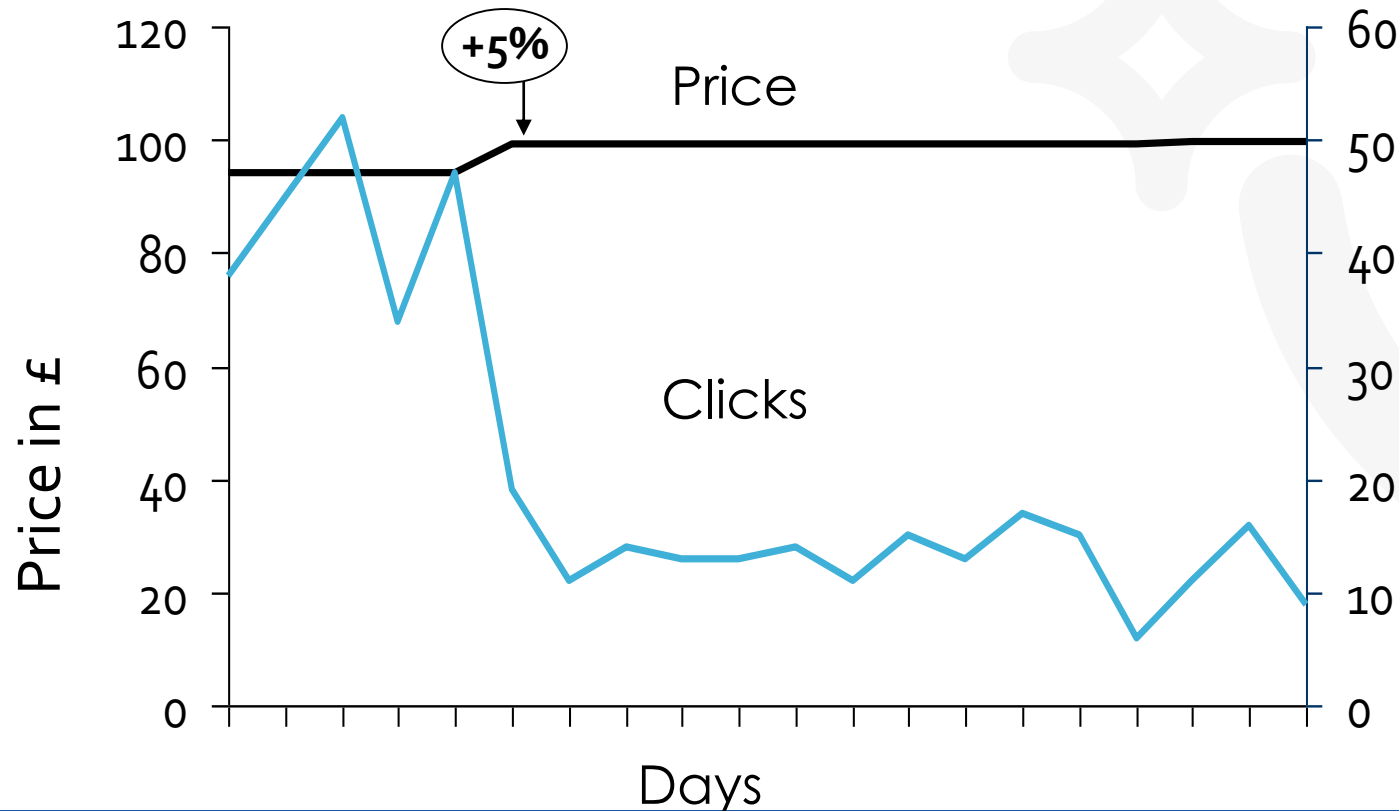**Clicks drop off after product price increase**
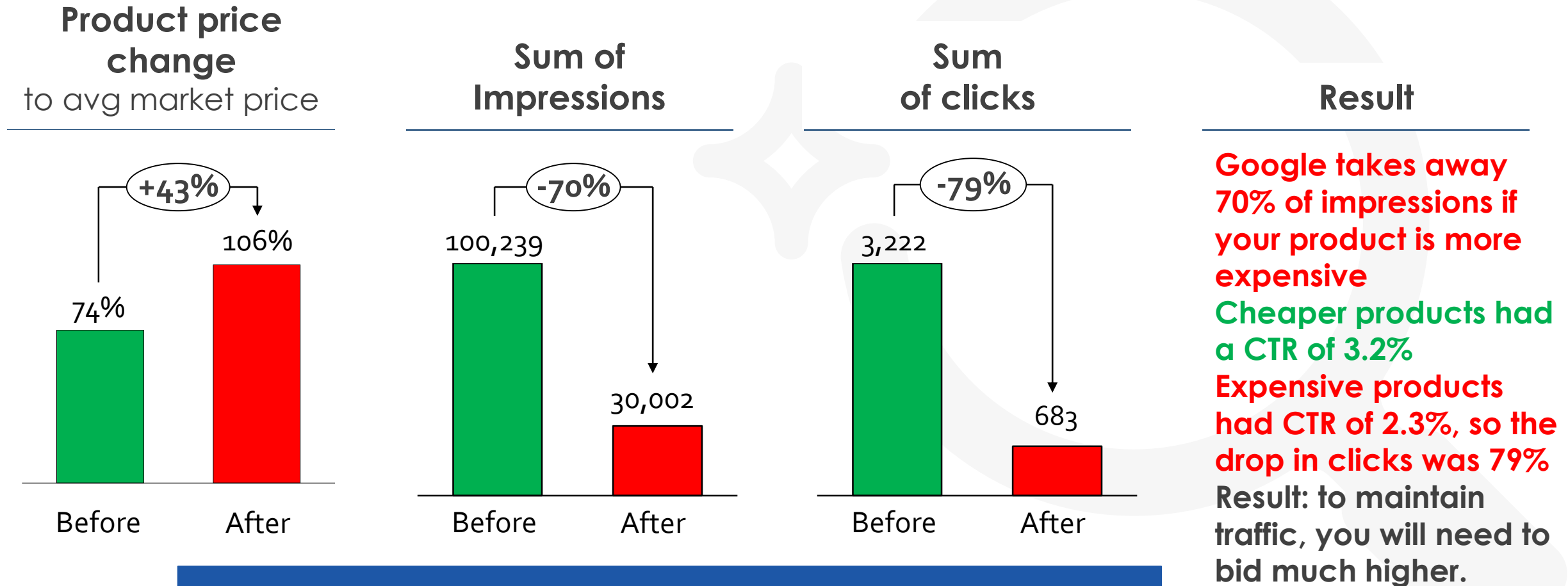

Chart Info

Google product category:
Apparel & Accessories > Shoes > Sneakers

Brand: asics

5% price increase coincides with a 60% decrease in clicks

Experiment 2 - Reduction in impressions and clicks when the price of 700 products increased from 74% to 106% of average price

Product price change
to avg market price

+43%

106%

74%

Before   After

Sum of Impressions

-70%

100,239

30,002

Before   After

Sum of clicks

-79%

3,222

683

Before   After

Result

Google takes away 70% of impressions if your product is more expensive

Cheaper products had a CTR of 3.2%

Expensive products had CTR of 2.3%, so the drop in clicks was 79%

Result: to maintain traffic, you will need to bid much higher.

*based on 700 products

Product pricing is key to success in Google shopping

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Experiment 3 - Crealytics compared cheaper vs. expensive products and created an experiment with daily price increases

The Idea

We compared

- **Cheaper products (below competitor prices)**
- **Expensive products (above competitor prices)**

The Criteria

- At least six competitors
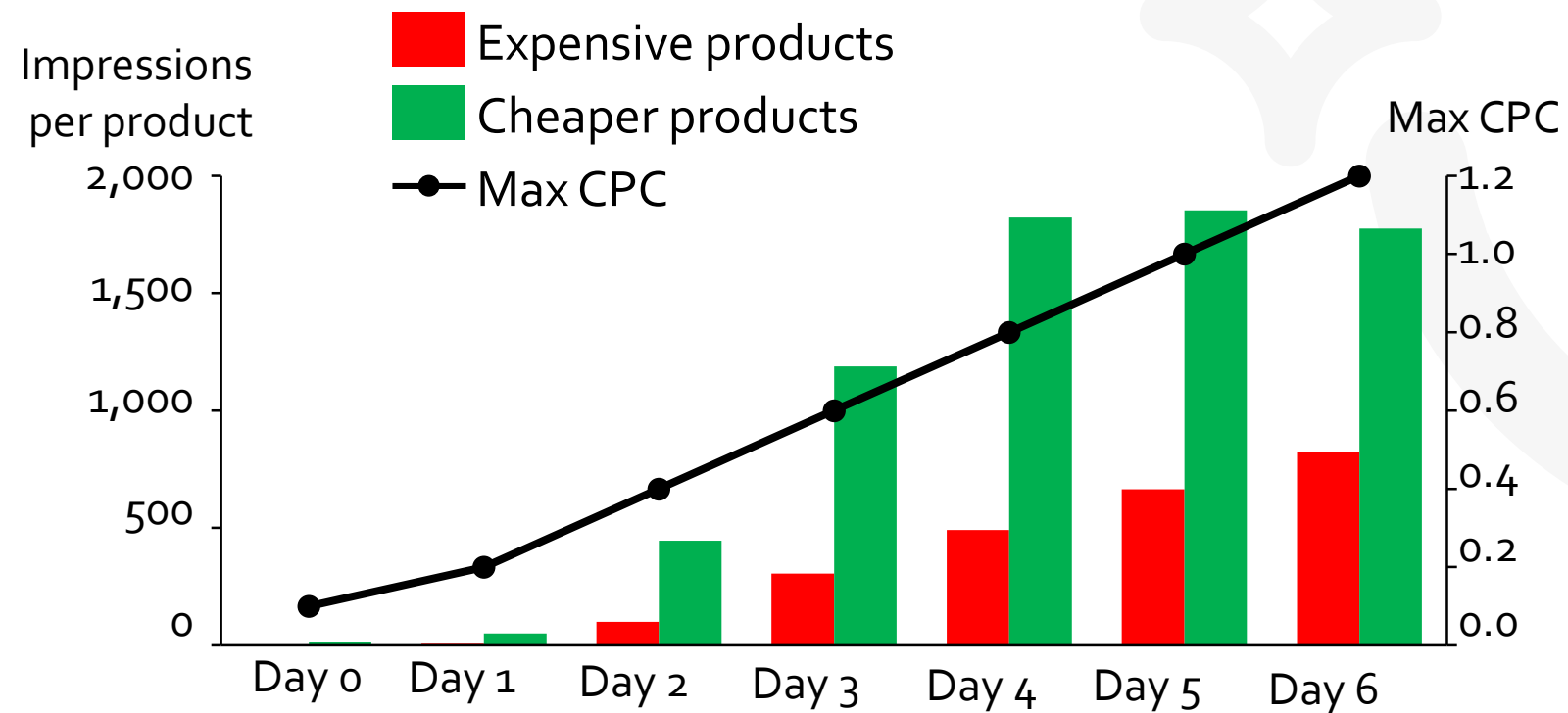- Available at all times
- Similar products (all sneakers)

The Test

- Products were excluded from normal shopping activity
- Bids were increased by €0.1 – €0.2 each day over 6 days

Impressions increased with price (with an S-shaped curve), but cheaper products generated more traffic much faster

There is a direct relationship between product price, maxCPC bid and impressions
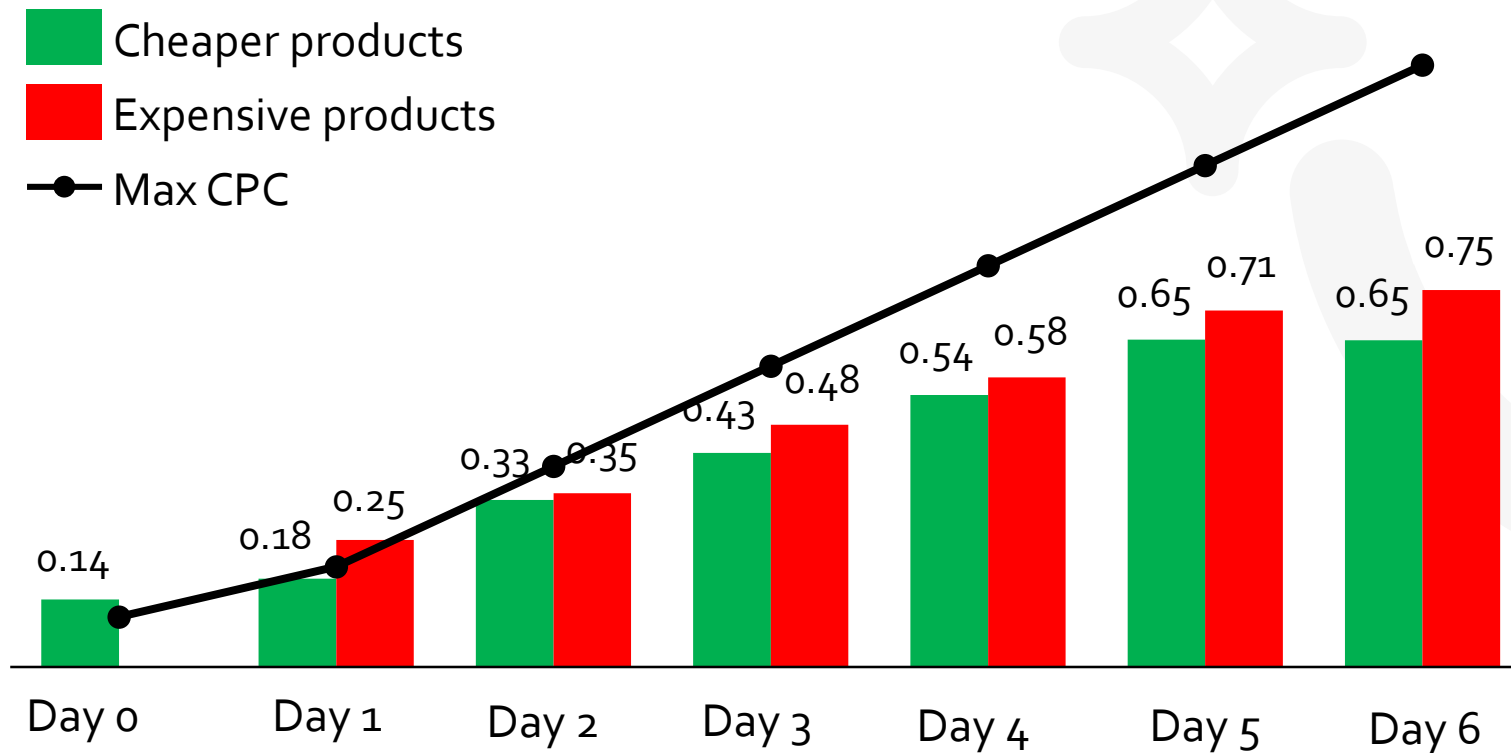
Key insights

Impressions per product

Legend:
- Expensive products (red)
- Cheaper products (green)
- Max CPC (black line)

Y-axis (left): Impressions per product — 0, 500, 1,000, 1,500, 2,000
Y-axis (right): Max CPC — 0.0, 0.2, 0.4, 0.6, 0.8, 1.0, 1.2

X-axis: Day 0, Day 1, Day 2, Day 3, Day 4, Day 5, Day 6

Impression volume for expensive products significantly lower

Cheaper products hit Impression limit after 5 days

The Average CPC paid was 15% higher for the more expensive products (even with the same max CPC bid)
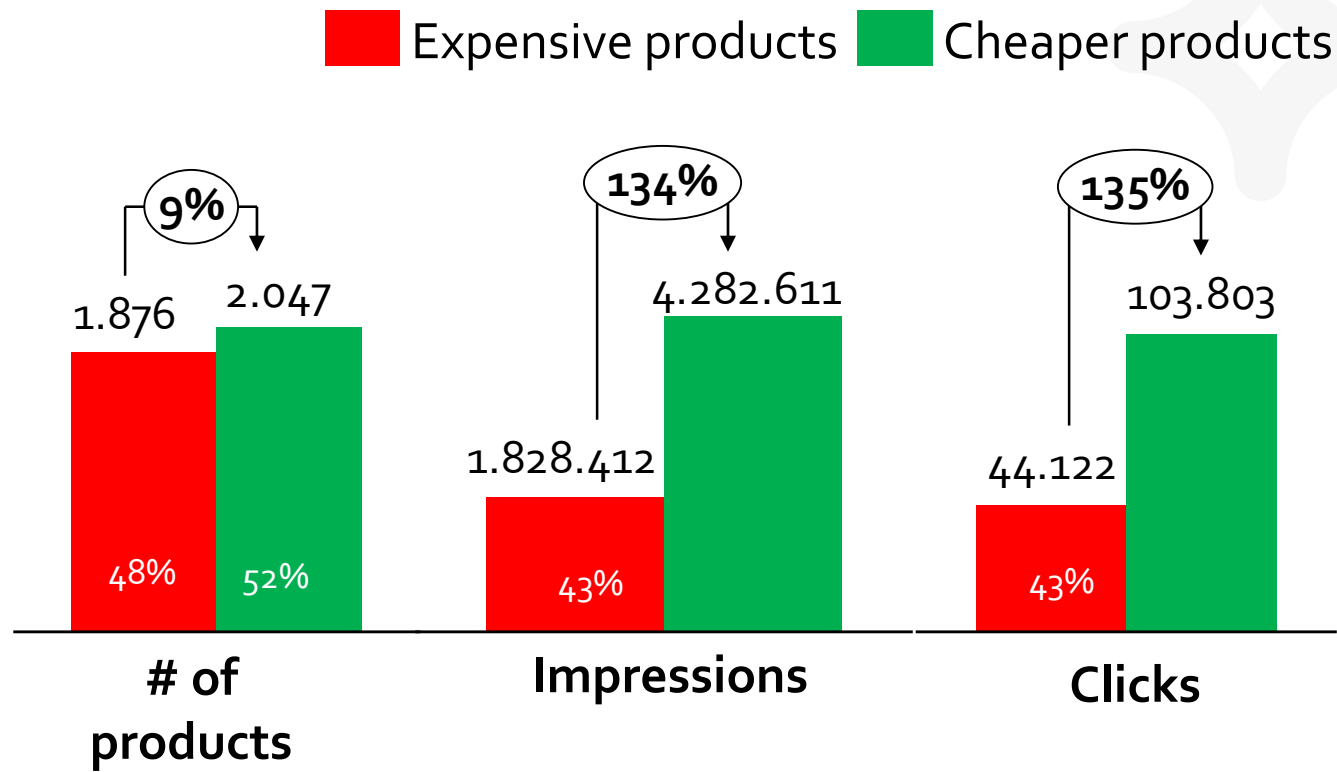
Max CPC bid, Avg CPC while bidding up

Legend:
- ■ Cheaper products (green)
- ■ Expensive products (red)
- ●— Max CPC

Max CPC values (line): 0.14, 0.18, 0.35, 0.43, (rising to Day 6)

Day 0: 0.14

Day 1: 0.18, 0.25

Day 2: 0.33, 0.35

Day 3: 0.43, 0.48

Day 4: 0.54, 0.58

Day 5: 0.65, 0.71

Day 6: 0.65, 0.75

X-axis: Day 0, Day 1, Day 2, Day 3, Day 4, Day 5, Day 6

Key insights

Avg. CPCs of expensive products is about 15% higher (despite same bids)

Note research shows that bidding higher results in more generic products being displayed (hence use of keyword sculpting)

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Experiment 4 – Review of 4000 products – where cheaper products generated 70% of the impressions and clicks

Traffic of similar products within one shop

Legend:
- 🟥 Expensive products
- 🟩 Cheaper products

Chart data:
- # of products: 1.876 (48%) expensive, 2.047 (52%) cheaper — 9%
- Impressions: 1.828.412 (43%) expensive, 4.282.611 cheaper — 134%
- Clicks: 44.122 (43%) expensive, 103.803 cheaper — 135%

Key insights

Expensive products generated only 43% of the impressions and clicks of the cheaper traffic with a CTR of 2.4%

Cheaper products generated (70%) of the total traffic, despite similar number of products in both groups (CTR was also 2.4%)

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The conversion rate of the cheaper products was better resulting in more conversions and lower cost per conversion/order

Performance of similar products within one shop

Key insights

🟥 Expensive products   🟩 Cheaper products
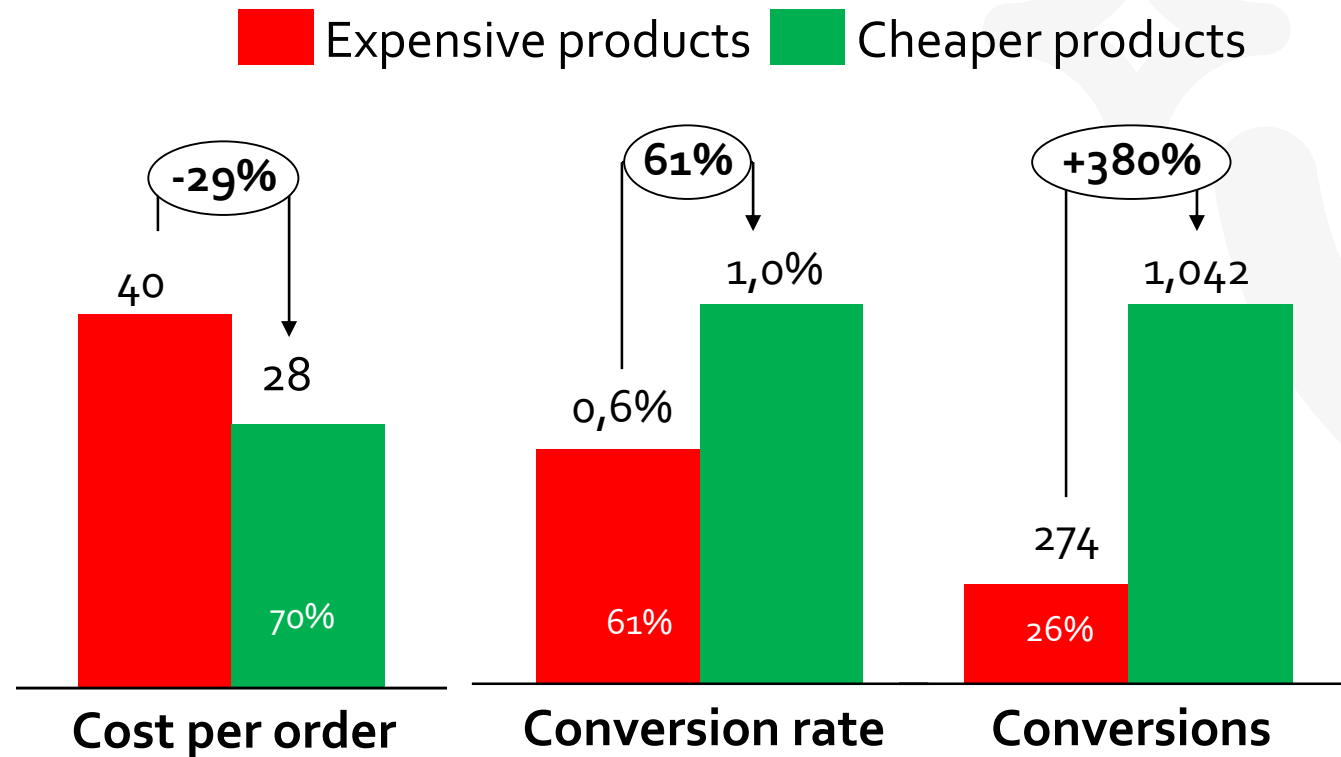
- **Conversion rate of expensive products was 61% of cheaper products**
- **Number of orders from cheaper products was almost 4 times higher**
- **The cost per order of cheaper products was 70% of expensive products (due to higher conversion rate)**

Cost per order
- -29%
- 40
- 28
- 70%

Conversion rate
- **61%**
- 0,6%
- 1,0%
- 61%

Conversions
- +380%
- 274
- 1,042
- 26%

The top 10% of products generated 58% of conversions – so there is not really a long tail

Conversions per product
multi brander UK

Top 10% of products generated 58% conversions

180
55
50
45
40
15
10
5
0

Cheap
Expensive
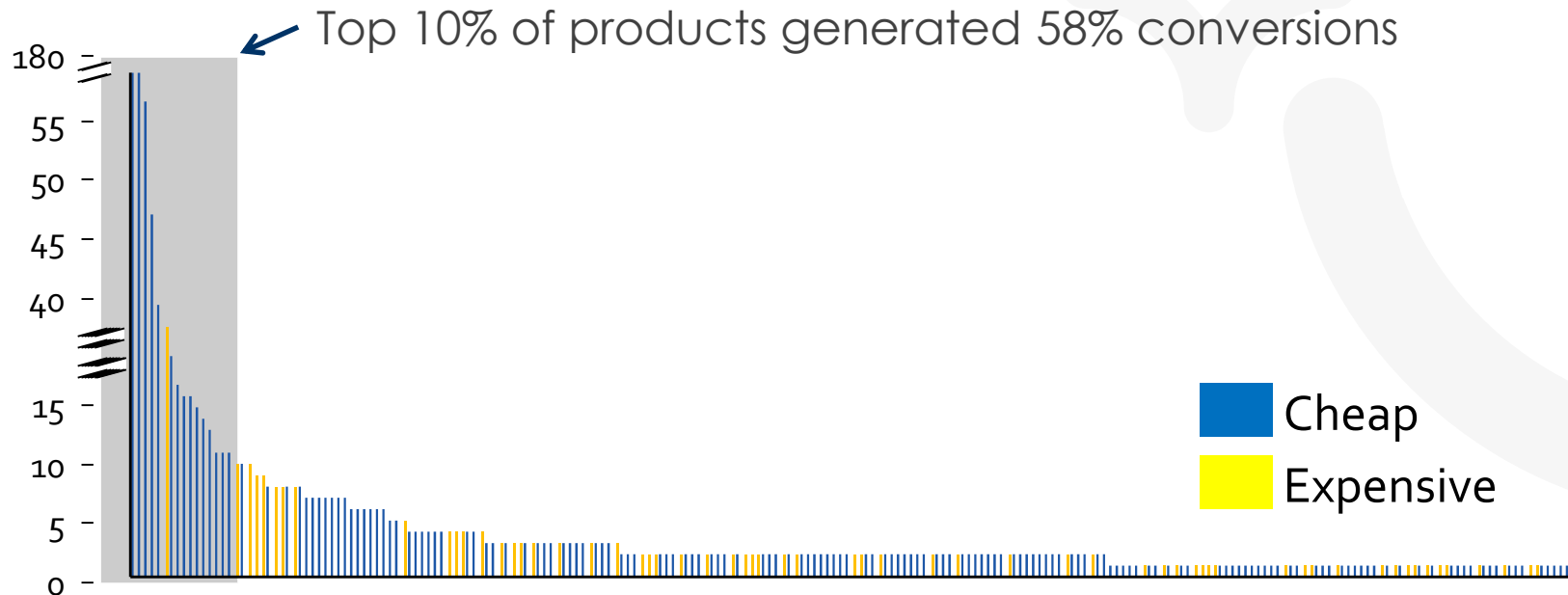
*Chart displays about half of the products with conversions

Key insights

- **Research based on 4k products – of which 448 had conversions**
- **Shopping conversions are driven by just a few products (more significantly than in search)**
- **Conclusion - concentrate on those products for account optimisation**

Cheaper products converted significantly better than expensive ones

Total conversions of similar products within one shop

Bottom 10%

Middle 80%

Top 10% of products

3%

38%

58%

20% — Expensive

80% — Cheaper

Share of conversions

Share of top 10% converting products
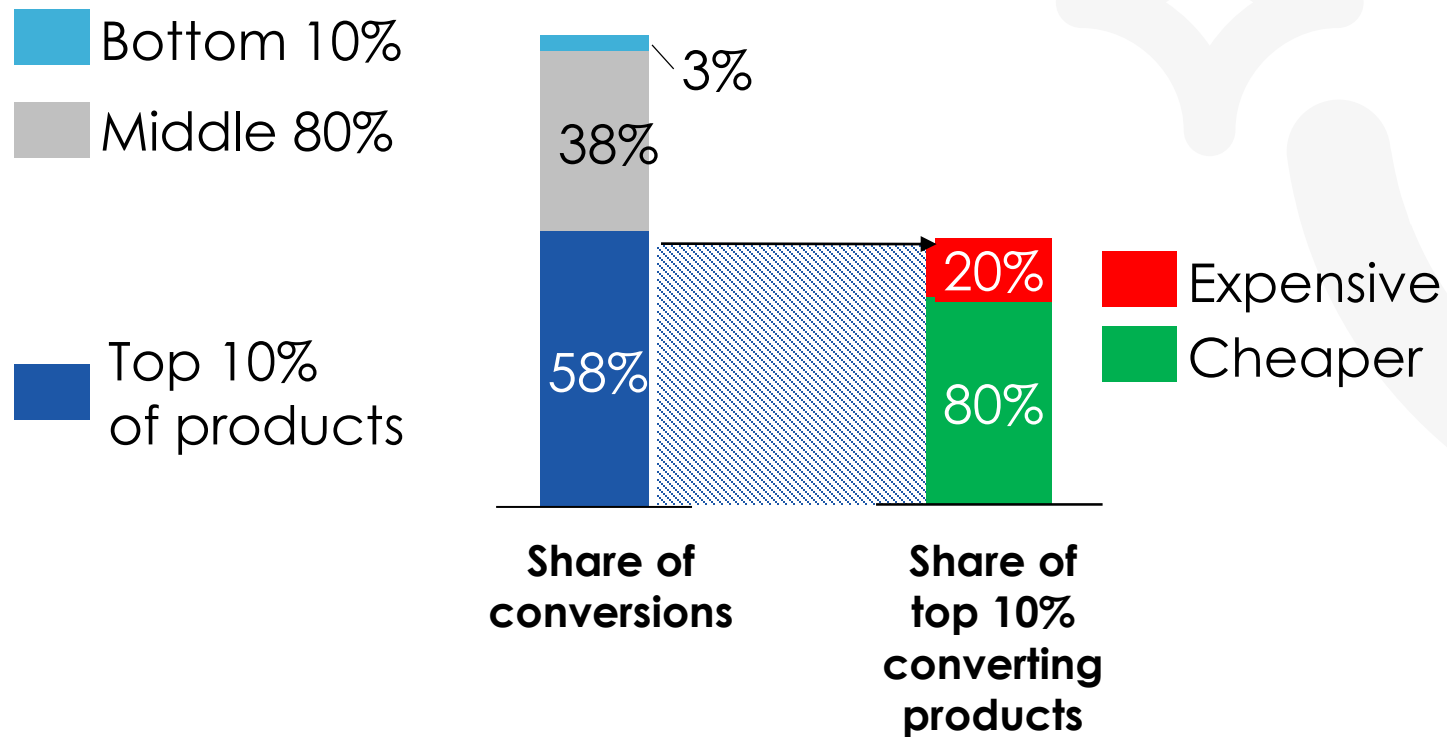
Key insights

Only a few products (10%) are responsible for more than half of all conversions

Selling only a few products at a cheaper price can make a big difference

Based on 4k products.

Summary of key findings from Crealytics research

	Experiment 1	Experiment 2	Experiment 3	Experiment 4
Experiment/ test	**Increase price by 5%**	**Data from 700 products price increased from 74% to 106% of average market price**	**Cheap vs expensive products - increased bids by €0.1 – €0.2 each day for 6 days**	**Review of approx. 4k products 48% expensive and 52% cheaper than average**
Impressions		70% drop in impressions	Cheaper product get impressions faster, hit impression limit after 5 days of bid increases (~€1) Expensive products trail behind with 10-50% of impressions - did not max out by the 6th day	Cheaper traffic generated 70% of the impressions
Clicks	Clicks drop 60%	Clicks drop 79%		Cheaper traffic generated 70% of the clicks
Click through rate (CTR)		Cheaper products 3.2% CTR Expensive products 2.3% CTR		CTR = 2.4% for both cheaper & expensive products
Cost per click (with same bid)			Actual CPC 15% higher for expensive products	
Conversion rates				Conversion rate of expensive products 61% of cheaper products
Number of conversions				Top 10% of 448 products generate 58% of conversions, of these 80% were cheaper products and 20% were expensive products Overall the number of orders through cheaper products was almost 4 times higher
Cost per conversion				Cost per order of cheaper products was 70% of expensive products (due to higher conversion rate)

Other data on the impact of price

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1) Impact of price on position – (Crealytics data)

Product position

Offer position

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Product price clearly has an impact on offer position!

Offer position* of product with cheapest price

Set 1

Position	Percentage
Pos 1	62%
Pos 2	16%
Pos 3	9%
Pos 4	4%
Pos 5 +	9%

Set 2

Position	Percentage
Pos 1	65%
Pos 2	14%
Pos 3	7%
Pos 4	4%
Pos 5 +	11%
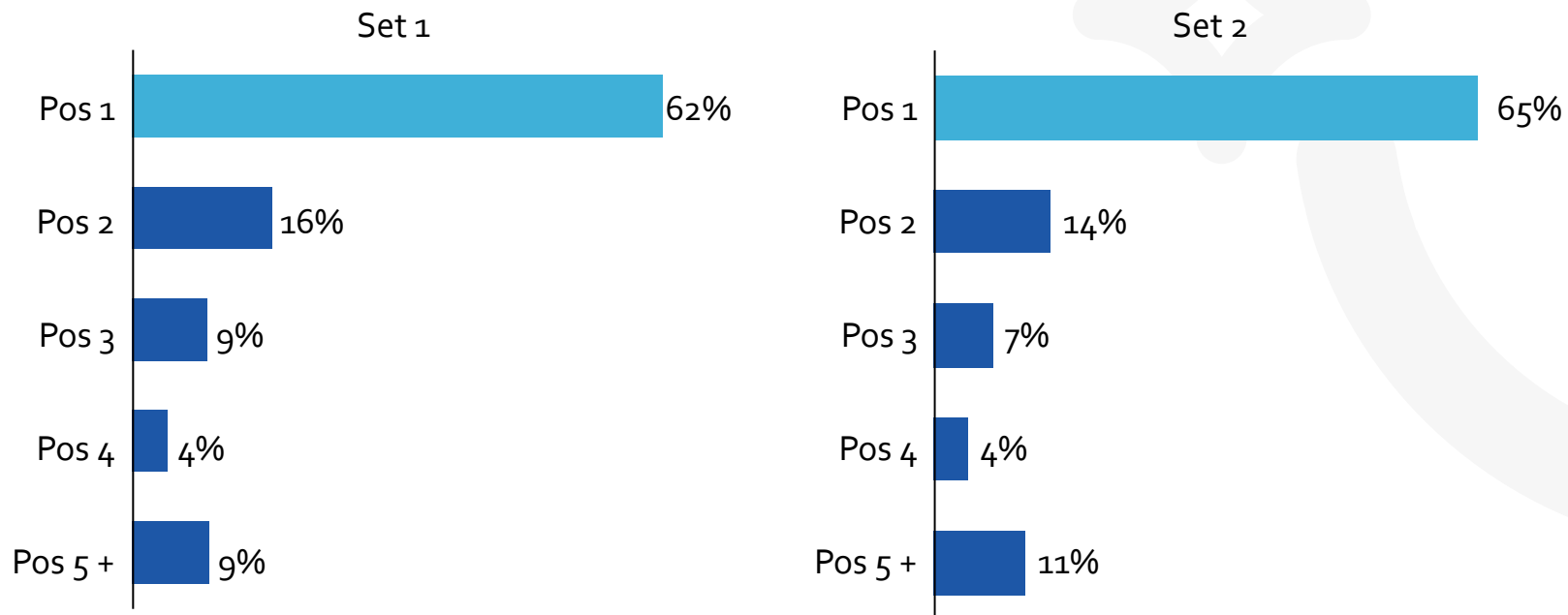
Key insights

Crealytics analysed two sets of queries

In both sets, the cheapest product came out on offer position 1 in more than 60% of all cases.

*data provided by price comparison tool

Hierarchy of factors that affected top positions

The hierarchy for offer position:

- **Cheapest price on top** – should you reduce your product price for some of your products?

- **No seller rating means no top position** – make sure you have seller rating for these products

- **CPC secondary** – it will cost you more to get top positions for your more expensive products

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2) Analysis of a manufacturer shopping ad campaign vs their distributors (Anicca's client)

Methodology for analysis

- Client is a manufacturer/importer with branded products in the home and garden sector, which are also sold by many other distributors and resellers

- Data for 90 days (Feb to end of April 2018)

- Number of products analysed and how many contributed top 50% of sales and revenue:

  - 769 products had a click - of which 239 had a sale (31%)

  - 17 products (2.2%) generated 50% of revenue

  - 35 (4.4%) products generated 50% of the sales/orders

  - 32 of products generated 50% of clicks

- Top 25 products (by revenue or volume) were reviewed in current shopping ads to determine selling price as a percentage of the average of all sellers (note in some cases the product was out of stock or there were no competitors)

 - Product with <5:1 ROI are marked in red on next slide

Number of products (out of 769) to reach 50% of revenue or orders
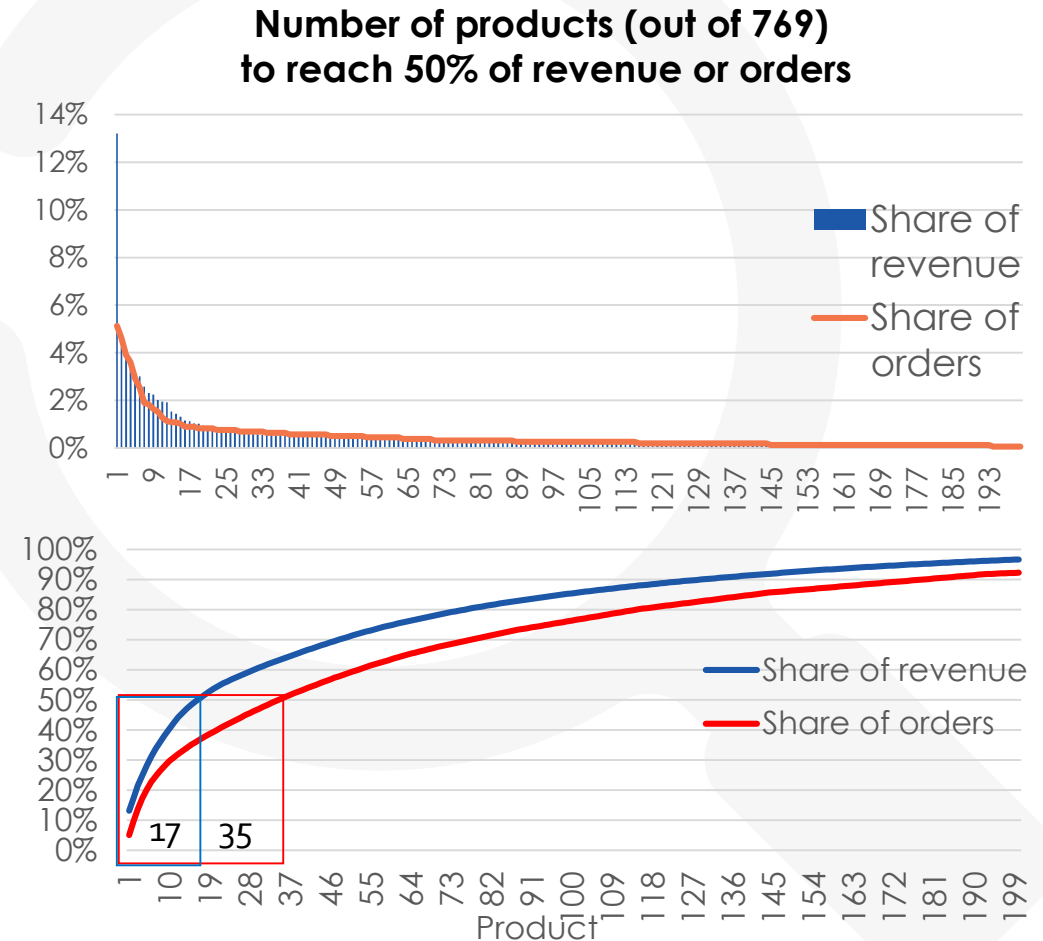
Data for top 17 products (generated 50% of revenue)

Product type	% of average price (top 25)	Share of revenue	Order of revenue	Share of sales	Order of sales	Share of clicks	Order of clicks	CPC	CPS (%)	CVR (%)	ROI:
AVERAGE	91%							£0.24	18.3	1.6	4.5
Gas BBQ	82%	13.2%	1	5.1%	1	7.8%	1	£0.44	19.4	1.1	4.2
Shed	100%	4.1%	2	0.9%	16	2.9%	3	£0.31	15.7	0.5	5.4
Garden furniture	100%	4.1%	3	0.2%		0.0%		£0.03	0.0	16.7	8663.0
Shed	out of stock	3.4%	4	0.8%	23	2.5%	4	£0.37	20.8	0.5	3.8
Sports toy	85%	3.3%	5	1.6%	9	1.5%	10	£0.28	9.9	1.8	9.1
Shed	out of stock	3.0%	6	0.6%	34	1.5%	11	£0.32	11.7	0.7	7.6
Garden furniture	109%	2.6%	7	0.6%		0.8%	32	£0.27	6.1	1.2	15.5
Toy	93%	2.3%	8	3.6%	4	4.4%	2	£0.19	27.6	1.3	2.6
Cement mixer	out of stock	2.2%	9	1.5%	10	2.2%	6	£0.28	20.9	1.1	3.8
Garden furniture	85%	2.0%	10	0.7%	28	1.5%	9	£0.49	27.8	0.8	2.6
Gas BBQ	104%	1.9%	11	0.7%	31	0.5%		£0.35	7.0	2.3	13.4
Gas BBQ	104%	1.9%	12	0.6%	35	1.3%	15	£0.42	20.7	0.8	3.8
Garden furniture	74%	1.5%	13	0.4%		0.2%		£0.45	4.2	3.3	22.9
Sports toy	89%	1.4%	14	2.9%	5	0.7%		£0.26	9.8	6.6	9.2
Gas BBQ	92%	1.3%	15	0.6%		0.8%	26	£0.44	20.6	1.1	3.9
Kids furniture	71%	1.1%	16	2.5%	6	1.4%	12	£0.19	18.5	2.9	4.4
Garden furniture	out of stock	1.1%	17	0.5%		0.2%		£0.31	3.8	4.5	25.4

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Findings from top products based on revenue and sales numbers

- **Impact of price (top 17 based on revenue)**
  - 59% (10 out of 17) were the same or cheaper than the average price
  - 17% (3 out of 17) were more expensive than the average price
  - 24% (4 out of 17) were no longer in stock or there was no current competitors
  - Top 17 had average sale price of 91% (when compared to price of current competitors)
- **Impact on ROAS/ROI**
  - Top 16 products (based on revenue) had a ROI of 8.6 (excludes 1 product with >8000)
  - There was no correlation of average price and ROI for top 17
  - 9 of top 17 had ROI of >5:1 mainly due to higher conversion rate (the average conversion rate of top 16 was 1.9% vs 1.6% for all products – excludes 1 product with >15%)
  - Good correlation between conversion rate and ROI for 31 out of 39 (80% of these products)
  - If the CPC is above average and the price is too low than the ROI can also be too low (i.e. it becomes unprofitable)

Hypothesis 1 –
Is price a Quality Score factor?

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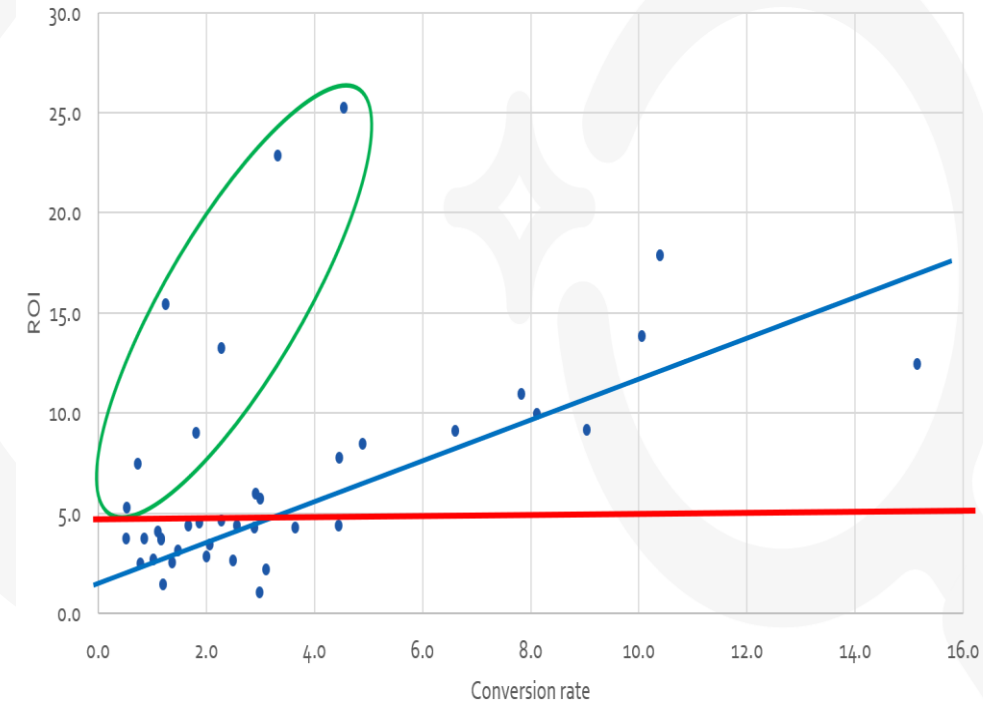
How could price impact Quality Score factor?

- Is it possible that price is a proxy for CTR?
  - If cheaper products get a higher CTR's then this could impact Quality Score (resulting in better positions and lower CPC's)
  - Results showed that the CTR for cheaper products was the same in Experiment 4 but higher in Experiment 2 (so more data is required)
- Google have previously denied that price is a Quality Score factor
- However, as the Quality Score algorithm becomes more dependent on machine learning, it appears that price is now becoming a dominant part of Quality Score

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Hypothesis 2 –
Why not reduce price rather than increase CPC?

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Invest in high CPCs or afford a price reduction?

V 1

Status quo

100
25
75

Price | Google cost | Profit per sale

Increase bids

100
45
55

Price | Google cost | Profit per sale

Decrease price

80
25
55

Price | Google cost | Profit per sale

10.000
Volume

25.000
Volume
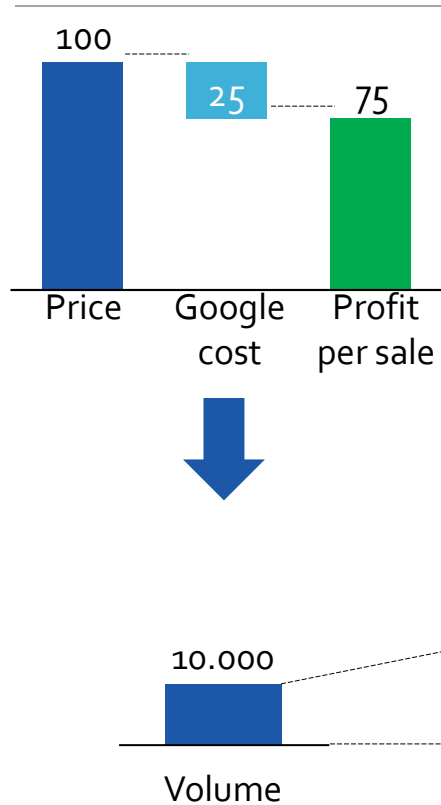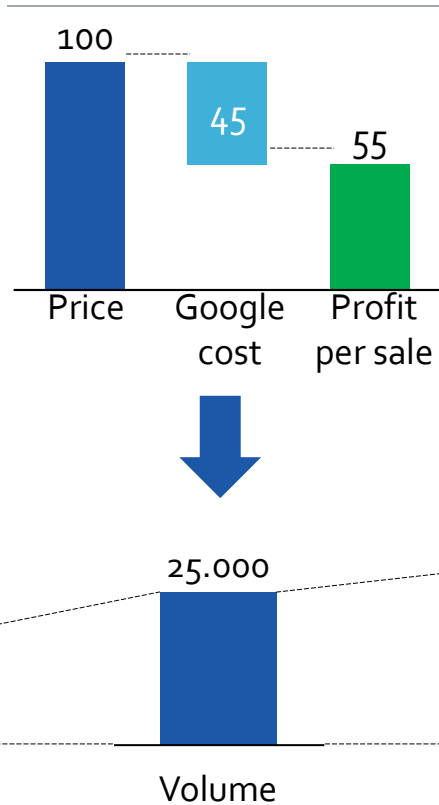
34.000
Volume
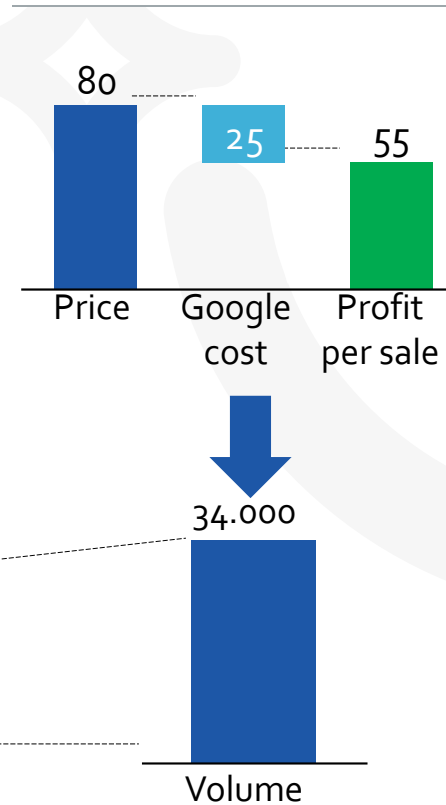
Key insights

Decreasing margins can lead to tremendous volume increase and also higher profits (due to lower cost per sale)

Changing price is the more effective action!

Invest in higher CPC's or a price reduction?

V 2

① Primarily invest in Google budget

② CPCs, cheaper products

Resulting revenue
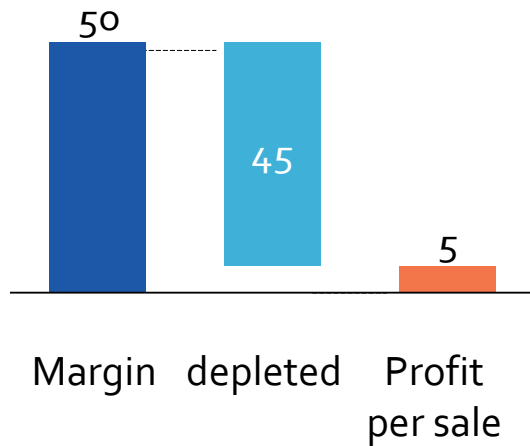
Price dominant

■ Google budget per sale

■ Google budget per sale
■ Price reduction

① ②
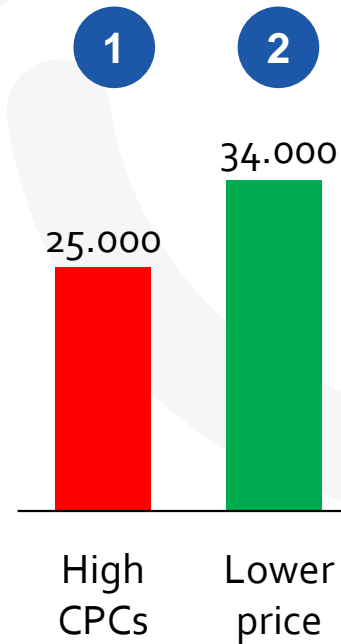
Decreasing margins can lead to tremendous volume increase & also higher profits.

Changing price is the more effective action!

Chart 1
- 50 — Margin
- 45 — depleted
- 5 — Profit per sale

Chart 2
- 45 — Margin
- 25 / 15 — depleted
- 5 — Profit per sale

Resulting revenue
- 25.000 — High CPCs
- 34.000 — Lower price

Use of competitor tracking tool to show relative prices

#	Competitor	Matches	Is Cheaper on	Is Pricier on	Is Same on
1	Molly Mojo	13	0.00%	0.00%	100.00%
2	eBay	7	42.86%	42.86%	14.29%
3	Pak Cosmetic Centre	6	50.00%	50.00%	0.00%
4	Life & Looks	5	60.00%	40.00%	0.00%
5	Boots.com	5	60.00%	0.00%	40.00%
6	Chemist.co.uk	5	20.00%	60.00%	20.00%
7	TotalDeal	5	20.00%	80.00%	0.00%
8	123 Healthshop	4	50.00%	50.00%	0.00%
9	bodykind	4	50.00%	25.00%	25.00%
10	revital.co.uk	4	0.00%	100.00%	0.00%
11	Fruugo	4	50.00%	50.00%	0.00%
12	Weldricks Pharmacy	4	75.00%	25.00%	0.00%

Example using data from Feedoptimise.com

Invest in price reductions rather than increasing CPC's

- Price can influence traffic levels more significantly than bids
- Combined with conversion effect, price changes can be more profitable
- Research (from Crealytics) also shows that 66% of searchers don't buy the product they clicked on – so use cheaper products as a gateway to gain sales from other products that may be relatively more expensive
- We also know that increasing bids can often result in being found for more generic phrases rather than the specific product we want to be found for – so consider using this strategy in combination with keyword sculpting?

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Summary of the impact of price on Shopping ads

- **A small percentage of products (<10%) will result in >50% of orders and revenue** - this is likely to be mainly cheaper products

- **Cheaper products will:**

  - Result in more impressions and more clicks (sometimes with higher CTR)

  - Have a cheaper CPC and higher conversion rate - resulting in a lower cost per conversion

  - More likely to be in the top "offer position" (if seller ratings are also present)

- **Price may be a Quality Score factor** due to proxy CTR impact or due to "machine learning"

- **Other factors to consider:**

  - 66% of clicks result in users buying something else

  - Increasing CPC's will result in your ads being shown for more generic searches

- **Recommended strategy**

  - Invest in reducing price of a few top products, rather than increasing CPC's

  - This will significantly increase volumes and conversion rates, but watch you still make a profit

  - These products will also act a act as a gateway to the sale of other products

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Don't overbid expensive products (may trigger more generic products) - consider price reductions instead

-50%

Discounting only a few select products could be a killer strategy

Price and bid management will be merged one day

50% $0.47

Share these #SMXInsights on your social channels!

Part 2:
Combining remarketing and shopping ads
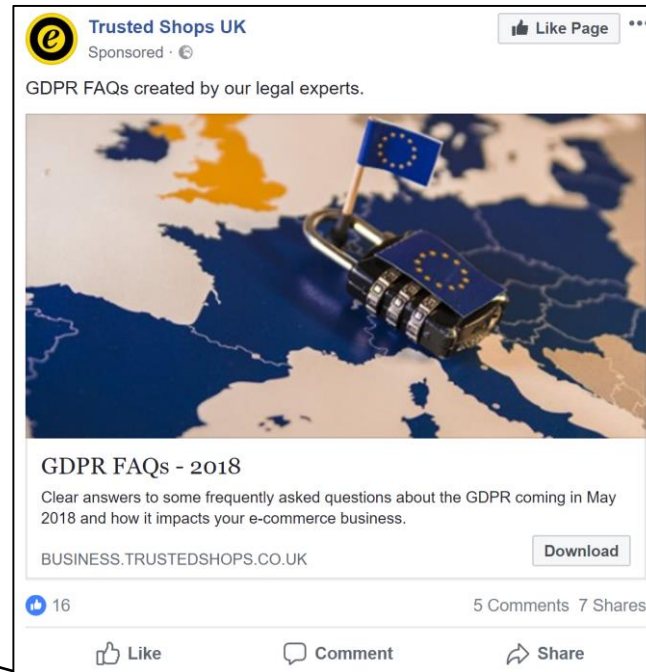
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Using Honeypots and RLSA for shopping ads

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Use "honeypots" to get visitors to your site at a low cost – so you can create a remarketing audience in Analytics

AO
May 11 at 7:30pm · 🌐

To help you go BIG this summer, we're giving away a Toshiba 65" Smart 4K TV with Freeview Play! For a chance to win, comment below with #AOWin and tell us which teams you'll be watching this weekend! ⚽ 🏉
✒️
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WIN a Toshiba 65" Smart 4K TV!
TOSHIBA 4K Ultra HD with Smart
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GDPR FAQs created by our legal experts.

GDPR FAQs - 2018
Clear answers to some frequently asked questions about the GDPR coming in May 2018 and how it impacts your e-commerce business.
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👍 16   5 Comments 7 Shares

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👍❤️😮 10K   1.4K Comments 1.8K Shares

👍 Like   💬 Comment   ↗ Share

Your site

Create remarketing lists in Analytics

Examples from Facebook –
You should use "Website Clicks" ad objective and targeting based on the profile of your converting audience

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RLSA for shopping with targeted traffic from low cost social or display ads

- Use **"honeypot" content/ads** to attract potential customers to your site (using targeting based on profile of ideal customers/previous converters)
- Use **utm codes** on all links, so you can create **remarketing audiences in Analytics**
- Use remarketing audiences **in conjunction with Shopping Ads** to target these users with increased bids (when they are proactively buying)
- Can even be used with **free or "offline" traffic**, e.g. organic search, organic social or offline ads where a vanity web page is used. In these cases the landing page URL is used to create your remarketing list
- Particularly powerful where current **CPC's are high or ROAS is low**
- This strategy allows you to focus budget on previous visitors to your site, as they are **more likely to convert**

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Introducing the new "Optimise by Goals" shopping ads

Google announce new Shopping ads sub-category of "Optimise by Goals"

- The new Shopping campaign sub-type will be automatically goal-optimised and will either increase conversion value or maximizing conversion value at a specific return on ad spend (ROAS)

- It will combine shopping ads and dynamic remarketing

- Automatic bidding based on machine learning

- Placements in search, display, YouTube and Gmail

- Option will role out globally in the next few weeks

- You will still be able to create the existing type of shopping ads (without Goal optimisation), so you can use manual bidding or options such as ROAS bidding

Sponsored Shopping Unit on Search

Display Network

YouTube

Gmail
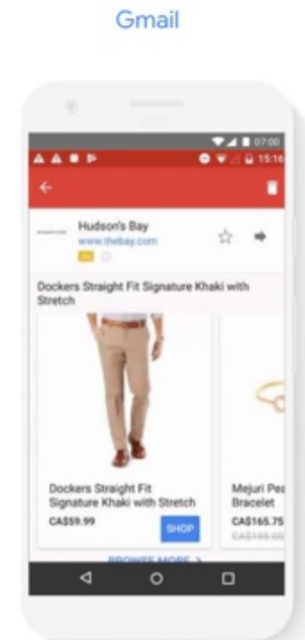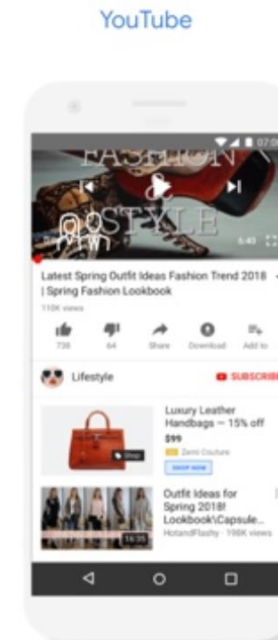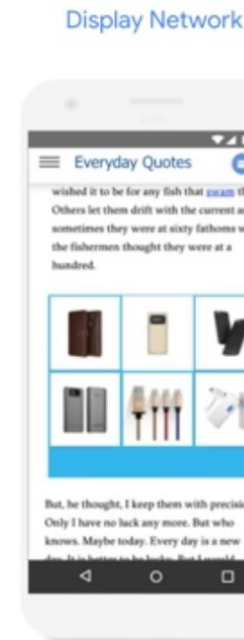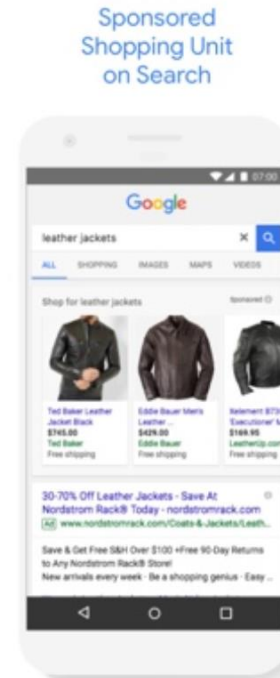
Requirements to set-up new Goal-optimised shopping ads

- You need to have at least 20 conversions over the last 45 days across existing Shopping campaigns
- You'll need to set up Conversion tracking with transaction-specific values
- Tagging for dynamic remarketing:
  - Add a global site tag to your website and have a remarketing list of at least 100 active users
  - If you use Google Analytics, you can link to your Google Analytics account and set up tags there, instead of using the global site tag
- Google recommends using a standard Shopping campaign with a maximize clicks bidding strategy to fulfil conversion and remarketing requirements

@AnnStanley

Key takeaways on using shopping ads with remarketing

- **"Honeypots" and shopping ads with RLSA**
  - Content and Honeypots ads in social and display can be used to get your target audience back to your site, so they can be tagged in remarketing lists
  - Landing pages with high levels of free traffic (e.g. organic or offline ads) can also be used as a source of traffic for RLSA
- **Launch of new "Goal optimised" shopping sub-category**
  - Combines shopping ads and dynamic remarketing
  - Placement on search, display, YouTube and Gmail
  - Use machine learning for automated bidding

THANK YOU!
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