

# Grab the Online Shopper

Smart SEM Tactics  
for a Slow Holiday Season

**2008**



## Introduction

The past couple of months have been difficult for all businesses in United States. We have all been surrounded with gloom and doom stories. It is easy to get mired in pessimism. The challenge is pessimism helps no one and creates unnecessary and avoidable stress.

Online retailers are a resilient lot. In the recent Shop.org survey 56.1% of online retailers expected their holiday sales to increase by at least 15% over 2007. Such positivity is infectious. Such positivity is the need of the hour.

At NetElixir, we earn our living by helping online retailers run profitable Search advertising campaigns. Over the past 4 years we have managed and optimized more than 200 successful search advertising campaigns for online retailers. Our experiences, observations and learning's are chronologically archived in our in-house knowledge bank. This white paper encapsulates some of our learnings.

This white paper is our tribute to the indefatigable spirit of the online retail Community.

Happy Selling!



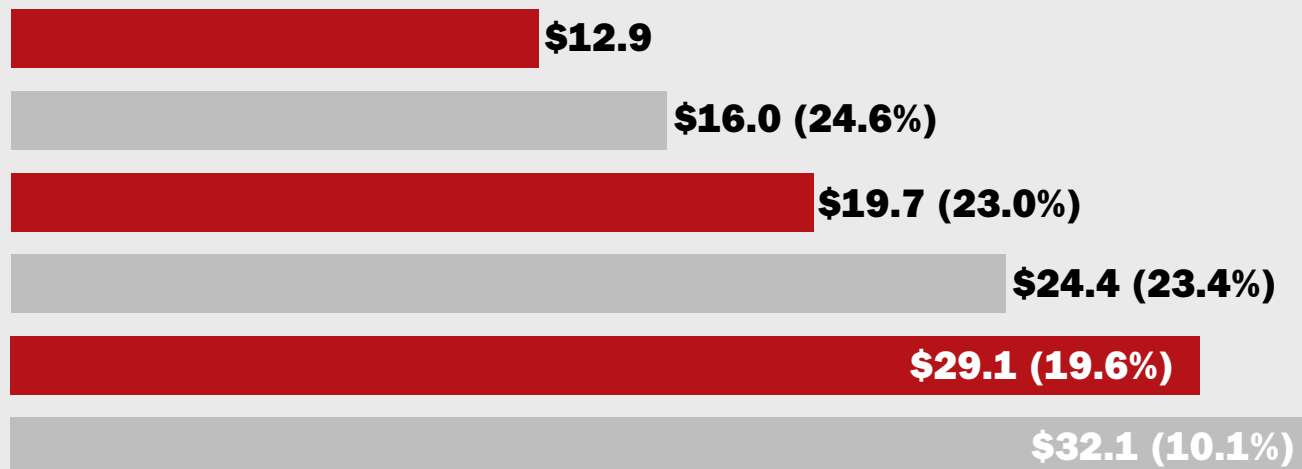
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# The Holiday Season of 2008

- eMarketer predicts online holiday sales for 2008 to grow by just 10% over 2007

## US Retail E-Commerce Holiday Season Sales, 2003-2008 (billions and % change)



*Note: Sales are for November and December of each year; excludes online travel, event ticket and digital download sales*

*Source: eMarketer, October 2008*

[www.eMarketer.com](http://www.eMarketer.com)

## However, There is Hope

“More than ever, in order to save money on holiday gifts, consumers will turn to the Internet to get gift ideas, find bargains and locate retailers that stock desired products,” says **Jeffrey Grau**, senior analyst at **eMarketer** and author of the new report, Online Holiday Shopping 2008 Preview. “In addition, shoppers will shift a larger share of their purchases from stores to the Internet to save gas money and take advantage of free shipping offers.”



## Background

**NetElixir** has been working with retail search marketers since 2005. We understand what search tactic works for retailers during the holiday season and what doesn't.

We analyzed the Google Adwords and Yahoo campaigns for 7 retailers who derived 38% or more of their annual Sales Revenues during the period 1<sup>st</sup> November – 31<sup>st</sup> December. Each campaign had more than 5000 keywords. The data set pertained to the years 2006 and 2007. We had the data available in weekly sets (9 weeks).

This paper is based on the aforementioned analysis. There are *three key areas* where we have offered tactical advise based on our finding. We hope these tactics help retail search marketers be better prepared for tackling a difficult holiday season.

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# **Build and Run Targeted Campaigns**

## 30% of November - December Purchases in 10 days!

- In 2006 and 2007, 30% of the total purchase happened in 3 blocks of 3-4 days each (total of 10 days)

**Will the following blocks be the most important ones this year?**

Dates	% of Nov-Dec Sales
15 <sup>th</sup> November – 17 <sup>th</sup> November	6%
28 <sup>th</sup> November – 1 <sup>st</sup> December	15%
6 <sup>th</sup> December – 8 <sup>th</sup> December	9%

*Editor's Caveat: The blocks would be category dependent.*

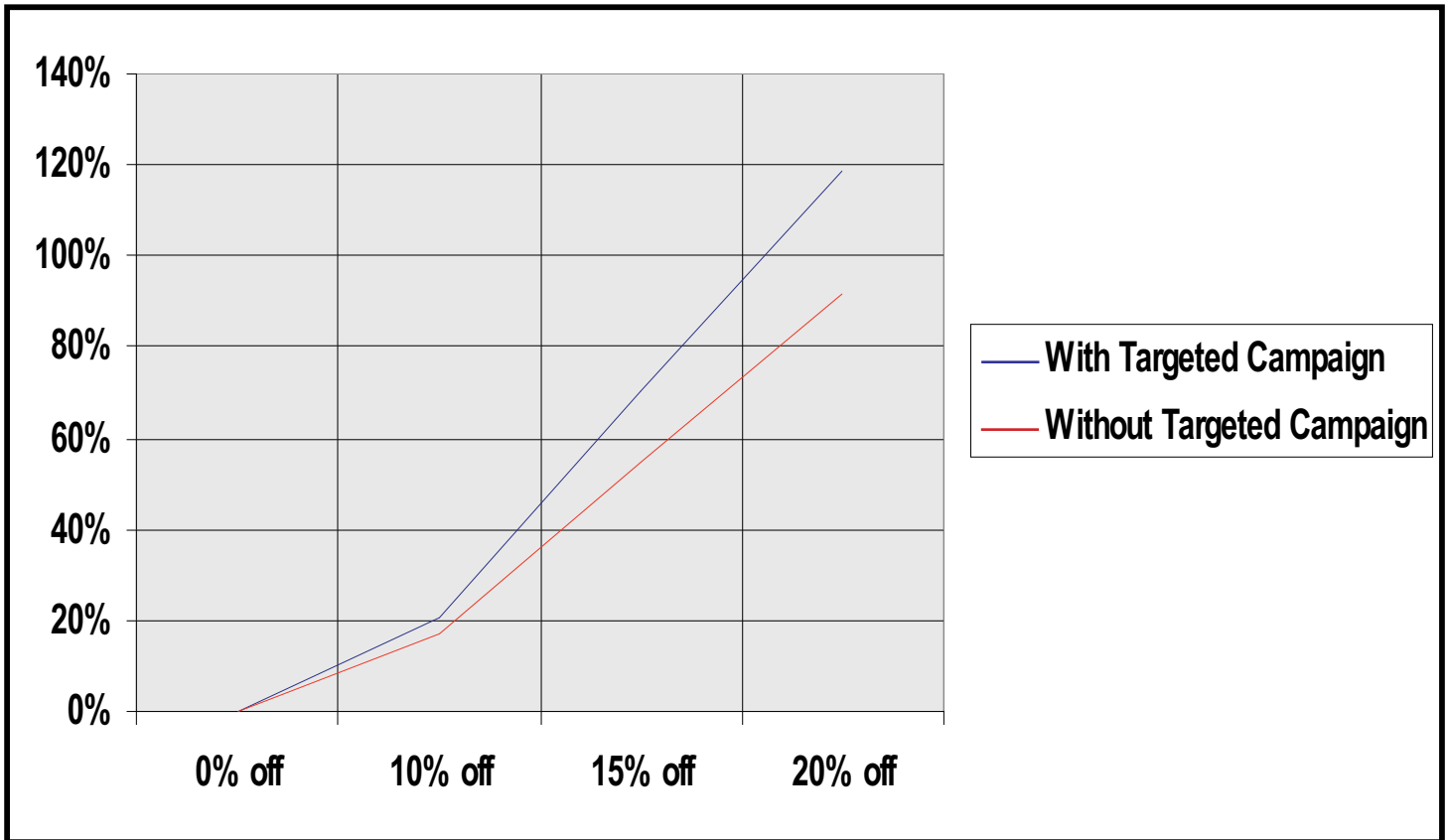
## Build Targeted Campaigns

- We expect shopping blocks to be even more important this year. It's unlikely that purchases would be phased out evenly because of a tight economy. It would be important for advertisers to create targeted holiday campaigns this year.
- Targeted Campaigns: Promo campaigns are built around a special – limited period offer. These are often geo-targeted and may sometimes be product-specific (eg. x% off on Product A, SKU Z).

## Running Targeted Campaign: Key Tactics

- Write targeted ad copies
- Lead searchers to the appropriate landing page
- Pause the ads after the promotion has ended
- Pause the keywords/ads when inventory drops
- Offer mentioned in ad should match with offer on landing page
- Analyze each promotion, measure deviations from set objectives, assimilate learning and use them for future promotions

## How an Online Travel Accessories Firm Benefited from a Targeted Campaign



**% Increase in Promo Sales Revenue over Regular Sales Revenue**

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## **Finding the Niche Keywords to Bid On**

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## What Our Research Shows

- Searchers used longer keyword phrases during November-December: Average length of converting keyword phrase went up by about 8% from 2.1 to 2.27 in 2006 and by 10% from 2.18 to 2.4 in 2007
- Holiday Keywords: Approximately 6% of the keywords that converted in November and December had not yielded a conversion in the remaining months. More interestingly, these keywords had a lower cost per conversion

## Spend Time Building the Holiday Keyword List

- It's highly advisable to analyze the previous "holiday keyword lists"
- Retailers can extract a higher value from keyword advertising by dividing the keyword list into 4 performance groups:
  - STARS: Exceed Target
  - ASPIRANTS: Meet Target
  - LAGGARDS: Low Sales Contribution and Low Cost
  - BUDGET GUZZLER: Need to be Removed or Replaced

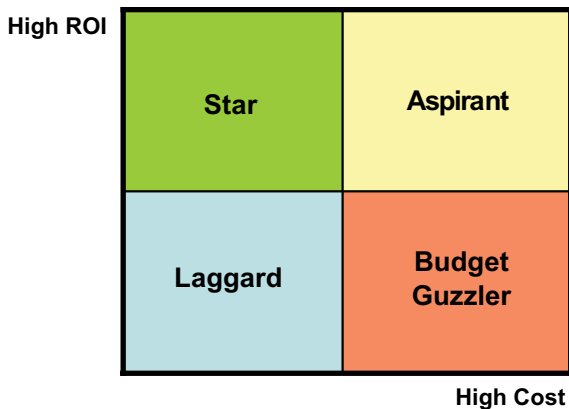
The keyword groups would need to have quantifiable performance targets and the deviations of actual performance versus set performance objectives would need to be continually monitored.

- Testing keywords on a weekly basis and replacing the "Budget Guzzler" keywords with a new set is a necessity

## **Holiday Keyword List:** Key Tactics

- Random keyword selection without adequate analysis can lead to budget waste
- Regularly weed out “Budget Guzzler” keywords and replace them with a new keyword set to boost performance
- Analyze where your competition is advertising and add appropriate keywords that you may be missing out
- There are keywords that I call “nuggets of gold” – these have the potential of generating a disproportionate return on ad spend. Do enough research to identify and test these.

## Impact of Regular Keyword Classification & Pruning on Campaign Performance



	STAR	ASPIRANT	LAGGARD	BG
Number of keywords	1300	1000	500	1200
% of total spend	50%	26%	10%	14%

- **Total Monthly Spend: \$70,000**
- **Total Conversions: 1000**

### Results:

- We could re-allocate 14% of spend that was being wasted by the Budget Guzzler keywords
- The ROI & Sales moved up and Cost Per Sale Moved down

*Source: Data taken from the Adwords campaign of a leading consumer electronics firm*

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# **Actionable Analytics**

## 8 KPI's: "After Your Search Ad Gets Clicked"

- **Intent and Relevance:** Number of pages viewed (or number of clicks within website)/conversion (We have seen as this ratio goes down the value per conversion goes up)
- **New Visitors & New Customer Acquisition:** Unique New Visitors (Customers)/Total Visitors (Customers) (separately for brand and non-brand terms)
- **ROI Driven Budget Allocation:** Lifetime Customer Value (Search versus overall)
- **ROI Driven Budget Allocation:** Average Order Value (Search versus overall. Our research showed that the average Adwords order value was 72% higher than overall site average)
- **Value of a New Customer:** Sales Revenue/New Search Visitor
- **% Cart Abandonment Rate** (search versus overall)
- **Sales Revenue Distribution:** Revenue from Top 20 converting search keywords versus all converting keywords
- **Sales Revenue Distribution:** Sales Revenue/New Unique Visitors from Top 20 converting search keywords versus all converting keywords

*Editor's Comment: There is a clear focus on customer acquisition. We have chosen to ignore at this point in time the "brand impact" of Search advertising.*

## Actionable Analytics: Key Tactics

- Have a clear idea of **what to** “measure” and what **not to**
- Set Performance Benchmarks and measure deviations
- Use at least two analytics packages for validating accuracy of performance data
- Benchmark performance against industry data
- Know how to use the findings
- Take action!

*Editor's Comment: We have benefited from using Boyd's OODA Loop (Observe – Orient – Decide – Act) for several SEM campaigns*

## NetElixir Research: Why Search Advertising Rocks!

Months	Average Order Value (PPC) / Average Order Value (All Channels)			
	ALL	Google	Yahoo	MSN
Sep-06	\$1	\$1.63	\$1.55	\$1.70
Dec-06	\$1	\$1.58	\$1.91	\$2.72
Mar-07	\$1	\$1.65	\$1.39	\$1.60
Jun-07	\$1	\$1.71	\$1.44	\$2.00
Sep-07	\$1	\$1.54	\$1.72	\$1.36
Dec-07	\$1	\$1.60	\$1.42	\$1.49
Average of All Months	<b>\$1.00</b>	<b>\$1.67</b>	<b>\$1.58</b>	<b>\$1.77</b>

*Source: Quarterly AOV data for a Home Décor Company.*

*Editor's Comment: We used this information to reallocate budgets and thereby were able to get an overall higher Return on Online Marketing Investment (ROMI).*



# **Quick Check List**

- Define** KPI's for your holiday SEM Program
- Create** a Targeted Campaign Plan
- Research Adequately** (historical data, competitive data, industry trend data) before building your keyword list(s)
- Group** Keyword List into Performance Sets – set objective for each set
- Set Up** Tools for accurately measuring performance and deviations
- Classify** Keywords into Stars, Aspirants, Laggard and Budget Guzzler
- Replace** Budget Guzzler keywords with a new set every week or 10 days
- Create** Targeted Ad Copy (Target audience, Purpose of the message, Desired Searcher action)
- Define** ad copy variables you want to **test** and **act** based on test results
- Create** relevant landing pages and **assign** them to keywords accurately
- Collect** performance data regularly and keep a tab on KPI's

*Best Wishes  
for a  
Successful  
Holiday Season!*

From the  
NetElixir Team



## About NetElixir

NetElixir helps online retailers profitably acquire customers through efficient search engine advertising.

We offer powerful search advertising management and optimization technology and service solutions to sophisticated retail search marketers like OmahaSteaks, Vermont Teddy Bear, CarpetOne and KSwiss.

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

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