



BAZAAR.COM CASE

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- Advertising on search engines (Google and Bing) based on branded and non-branded keywords
- Branded keywords
 - Bazaar, Bazaar shoes, Bazaar Guitar
- Non-branded keywords
 - Shoes and Guitar
- Same strategy for keyword mix, ad-copies etc. is used on both search engines (SEs) and visitors from both SEs are also similar
 - Bing campaigns are smaller in magnitude

ROI FOR SEARCH ADS FOR BRANDED KEYWORDS

- Ad campaign on Bing ran from weeks 1 to 12
- Ad campaign on Google ran from weeks 1 to 9, but not on weeks 10 through 12 due to a technical glitch
- Customers who search using branded keywords could click on ads to come to the Bazaar.com website, or they could click on organic search results (also called natural search results)

To conduct ROI analysis for branded keywords on Google, what data do we need?

BOB'S ROI ANALYSIS FOR SEARCH ADS FOR BRANDED KEYWORDS ON GOOGLE

- Average cost per click for a sponsored ad click is ____
- Average probability of conversion (probability of making a purchase) is ____
- Average margin per conversion is ____
- Average revenue per click is ____

ROI = ____

BOB'S ROI ANALYSIS FOR SEARCH ADS FOR BRANDED KEYWORDS ON GOOGLE

- Average cost per click for a sponsored ad click is \$0.6
- Average probability of conversion (probability of making a purchase) is 12%
- Average margin per conversion is \$21
- Average revenue per click is $12\% * \$21 = \2.52

$$\text{ROI} = (2.52 - 0.6) / 0.6 = 320\%$$

(Myra's objection –This appears too high!!)

EXERCISE

- Why is Bob's ROI analysis possibly incorrect?
- How to do a better ROI analysis? Come up with ideas to do it and then conduct the analysis with your ideas and report the ROI you calculated

WHY BOB'S ROI CALCULATION IS INCORRECT?

- It assumes all traffic from sponsored ads should be attributed to sponsored ads
- This is not true, as some of that traffic could have been acquired by organic links in absence of sponsored ads

CORRECT ROI CALCULATION FOR GOOGLE

Table 1: Weekly traffic from Google by origin of click (for branded keywords searches only)

| Week | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
|---------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Google Sponsored | 32,269 | 31,951 | 32,143 | 31,417 | 31,194 | 31,576 | 30,951 | 30,611 | 30,401 | 0 | 0 | 0 |
| Google Organic | 127,876 | 128,169 | 125,717 | 126,264 | 123,871 | 124,053 | 126,105 | 123,064 | 121,637 | 150,188 | 148,658 | 146,584 |
| Google Total Clicks | 160,145 | 160,120 | 157,860 | 157,681 | 155,065 | 155,629 | 157,056 | 153,675 | 152,038 | 150,188 | 148,658 | 146,584 |

Table 2: Weekly traffic from Bing by origin of click (for branded keywords searches only)

| Week | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
|-------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Bing Sponsored | 3,965 | 3,984 | 3,960 | 3,952 | 3,874 | 3,932 | 3,890 | 3,883 | 3,843 | 3,815 | 3,754 | 3,754 |
| Bing Organic | 15,805 | 15,964 | 15,815 | 15,810 | 15,633 | 15,797 | 15,462 | 15,309 | 15,499 | 15,185 | 15,159 | 15,036 |
| Bing Total Clicks | 19,770 | 19,948 | 19,775 | 19,762 | 19,507 | 19,729 | 19,352 | 19,192 | 19,342 | 19,000 | 18,913 | 18,790 |

■ Clicks from Organic search

- Average weekly traffic in Week 1-9 is 125,195
- Average weekly traffic in Week 10-12 is 148,477
- It appears that organic searches are picking up some extra clicks when search ads disappeared due to glitch

■ Total clicks

- Average weekly traffic in Week 1-9 is 156,585
- Average weekly traffic in Week 10-12 is 148,477
- It appears that **total traffic goes down when ads disappear**
- Percentage reduction in average traffic from week 1-9 to week 10-12 is $(156585-148477)/156585 = 5.18\%$

CORRECT ROI CALCULATION FOR GOOGLE

- But, **is there a time trend**, meaning would the traffic have gone down in weeks 10-12 even if there was no glitch?
- To discover time trends, we use **Bing's data** as that is available without the technical glitch

Total clicks on Bing

- Average traffic week 1-9 is 19,597
- Average traffic week 10-12 is 18,901
- So, it appears that **there is a time trend** and traffic in weeks 10-12 is lower than in weeks 1-9 by $(19597 - 18901) / 19597 = 3.55\%$

CORRECT ROI CALCULATION FOR GOOGLE

- Google traffic reduction is 5.18% (due to time trend + disappearing of ads)
- Bing traffic reduction is 3.55% (due to time trend only)
- Hence, Google's traffic reduction ascribed to disappearing of ads is $5.18\% - 3.55\% = 1.63\%$
- Number of clicks contributed by ads on Google in week 1-9 is $1.63\% * 156,585 = 2552$ per week

CORRECT ROI CALCULATION FOR GOOGLE

- Avg Weekly Revenue contributed by ads = $2552 * 2.52 = \$6,431$
- Avg Weekly Clicks on sponsored ads = 31390
- Cost of clicks on sponsored ads = $31390 * \$0.6 = \$18,834$
- $ROI = (6431 - 18834) / 18834 = -65.85\%$
- **ROI of sponsored ads is actually negative, in contrast to Bob's 320% !**

WHEN DO SEARCH ADS WORK?

eBay SEM on Google didn't work

- Branded Keyword advertising shows no returns
- For non-branded Keyword, new and infrequent users are positively influenced by ads, but more frequent users, whose purchase behavior is not influenced by ads, account for most of the advertising expense
- Result: Negative average ROI of SEM

But is this result generally true?

WHEN DO SEARCH ADS WORK?

eBay SEM on Google didn't work - but **is this result generally true?**

Ads of restaurants on Yelp increased

- Pageviews by 22% on desktops and 30% on mobile
- User requests on directions by 18%
- User calls by 13% and clicks on their website by 9%

eBay is a very strong brand compared to restaurants as people are relatively unaware of restaurants

WHEN DO SEARCH ADS WORK?

Should big brands not do search ads?

- Avoid branded keyword and those unbranded keyword that are associated with brand
 - e.g. GAP not using the keyword “Gap” or “jeans”
 - Invest in those keywords that are less associated with Gap, e.g., “shoes”
- ROI of unbranded keyword is much less than those of branded keywords, but that’s because of attribution to the last touch
- However, the best answer for a firm may be very **case specific**