

HOW TO BUILD A PROFITABLE ECOMMERCE BUSINESS



HOW ONLINE RETAILERS CAN STRATEGICALLY POSITION
THEMSELVES FOR LONGTERM GROWTH WHILE IMMEDIATELY
ATTRACTING, CONVERTING, AND RETAINING MORE CUSTOMERS

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Introduction

Since inbound marketing is responsible for up to 81%¹ of traffic to online retailers, it should be the focal point of any ecommerce marketing strategy.

Given that search engines alone refer 72% of inbound traffic², they are the most important inbound channel. And because Google's market share in the U.S. is 67%³, and their market share dominates throughout most of the developed world, no search engine is more important.

To generate traffic from Google, or any of its competitors, you have two options:



- Search engine optimization (SEO), which allows you to boost natural rankings in search engines to generate free clicks.
- Pay-per-click marketing (PPC), which allows you to purchase your way to the top.

Recent surveys of online retailers confirm they value SEO and PPC as the most valuable inbound marketing channels, and that they allocate 43.4% of their search marketing budgets to PPC and 25.8% to SEO⁴.

¹ According to our analysis of traffic sources to 50+ ecommerce clients

² According to our analysis of traffic sources to 50+ ecommerce clients

³ comScore December 2012 U.S. Search Engine Rankings ([link](#))

⁴ MCM Outlook 2012/13 Report ([link](#))

There's no shortage of e-books or how-to guides that teach effective SEO and PPC tactics. What makes this ebook different is that we'll show you how to leverage your SEO and PPC activities as part of a long-term strategy that gives you a sustainable competitive advantage over your competition.

That means faster, more profitable, and more sustainable growth over the long-term.



About the Author



Scott Smigler

President of Exclusive Concepts, Inc.
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Scott is an ecommerce marketing pioneer. As a teenager in the 90s, he leveraged search engine marketing to grow a network of ecommerce sites that generated more than \$10 million per year in revenue, taught search engine optimization to IBM's Small Business division, and started Exclusive Concepts, Inc.

Today, Exclusive Concepts provides do-it-for-you marketing services to hundreds of online retailers, including dozens of Internet Retailer's top 1,000 ranked merchants. He is a monthly contributor to Practical ecommerce, and has been a speaker at MIT Enterprise Forum, Yahoo! Merchant Summit, and Search Engine Strategies conferences.

After reading this eBook, please send feedback or questions directly to Scott by emailing Scott@ExclusiveConcepts.com, or by Tweeting @ScottSmigler.

Perpetual Growth Strategy: How to Continuously Maximize Profit and Revenue

The philosophy behind the recommendations we'll make comes from the Perpetual Growth Strategy (PGS) on which Exclusive Concepts counsels ecommerce clients daily.

The idea behind PGS is that you cannot grow to become the leader in your category simply by getting more traffic to your website, improving your site's conversion rate, or increasing customer loyalty. To grow quickly and profitably, you must do all three – simultaneously. They feed each other.

Take the example of Adam, the CEO of imaginary ecommerce company AdamsPaintball.com. Adam goes to Google daily to see how well his site ranks on terms like paintball gear, discount paintball equipment, and Acme paintball helmets. But his site is nowhere to be found!



So, Adam logs into his Google AdWords account to check on his campaigns and finds competitors consistently outbidding and outranking him on all of his target keywords.

Adam thinks about raising his bids to \$1.50, which would push his site into the first position, but he knows that would be expensive. Is it worth it?

Here's the math:

Avg. Cost-Per-Click	Clicks	Conversion Rate	Sales	AOV	Revenue	Ad Fees	ROAS
\$1.50	10,000	2%	200	\$75	\$15,000	\$15,000	0%

Adam estimates that if he is in the first position he will generate 10,000 clicks and that his site will convert 2% of those clicks into sales (conversion rate). As a result, he'll generate 200 sales over the next month, which at an average order value (AOV) of \$75, translates into \$15,000.

Unfortunately, his ad fees will amount to \$15,000, resulting in a return on ad spend (ROAS) of 0%. After factoring in his cost of goods, Adam knows he would actually lose money.

Adam wonders how his competitors can possibly justify their high bids. He knows if he doesn't raise his bids, he'll miss out on a lot of traffic and sales.

Rather than give up on PPC, Adam takes another look at the math. He notices his conversion rate of 2%, and wonders what would happen if he increased that to 4%.

Avg. Cost-Per-Click	Clicks	Conversion Rate	Sales	AOV	Revenue	Ad Fees	ROAS
\$1.50	10,000	4%	400	\$75	\$30,000	\$15,000	100%

After making that adjustment in his model, Adam realizes that conversion rate is one of the keys to increasing revenue, which would double to \$30,000 in this revised scenario. That's not bad, but when he factors in cost of goods, he's still losing money. What if he increases conversion rate to 8%?

Avg. Cost-Per-Click	Clicks	Conversion Rate	Sales	AOV	Revenue	Ad Fees	ROAS
\$1.50	10,000	8%	800	\$75	\$60,000	\$15,000	300%

Sales would grow to \$60,000. Given that Adam only makes 30 cents for every \$1 in revenue he brings in, Adam expects a profit of \$18,000 by doing \$60,000 in revenue. After \$15,000 in ad fees, however, he's still only making \$3,000. But Adam's equation is missing something: customer loyalty.

Adam knows paintball enthusiasts need a lot of gear over the course of their lives. If he can get just 30% of his customers to buy once more from him over the next 12 months, he can increase ROAS to 420%, generating a profit of \$8,400.

Avg. Cost-Per-Click	Clicks	Conversion Rate	Sales	AOV	Revenue	Ad Fees	ROAS
\$1.50	10,000	8%	1040	\$75	\$78,000	\$15,000	420%

\$8,400 in profit from a \$15,000 investment in ad fees (a 56% rate of return) is good, especially if he can get those same customers to buy more in the years to come. Now that Adam has specific targets to achieve to make his campaign profitable, he can focus his time and attention accordingly.

What this example shows is that when you increase conversion rate and repeat order rate, higher PPC bids can still be profitable for you. The higher you can bid, the more visibility and traffic you'll get, and eventually you'll consistently rank higher than your competitors.



This concept applies to SEO and every other inbound marketing activity as well. All things equal, the more money you can spend, profitably, to promote your business, the faster you'll grow.

And so the cycle continues as you continuously improve how you attract qualified visitors to your site, convert them into customers, and retain them as loyal customers over time.

If you do these three things better than your competitors, you will master the Perpetual Growth Strategy, and it won't be long before you're the leader in your category. The reality is that many online retailers only focus on one or two of those things at a time, which slows down their growth.

Here are three critical habits you can adopt today that will enable you to implement your Perpetual Growth Strategy:

- **Be Data-Driven:**

It's OK to rely on your gut sometimes, but more frequently, collect and rely on objective data to make decisions.

- **Be Incremental:**

You can't move forward if you don't know what holds you back, so constantly test and make small incremental changes.

- **Be Holistic:**

Concurrently invest in the attract, convert, and retain approach rather than only doing one at a time.



Choosing to be a Specialist, Rather than a Generalist

Adam, our imaginary CEO, is one of thousands of retailers selling paintball equipment online. Like many of his competitors, he doesn't have a good answer to the question:

Why should I buy from you?

We are constantly asking online retailers what makes them different from their competitors, and invariably we hear these responses:

- *Our prices are competitive.*
- *Our customer service is great.*
- *Our selection includes all the most popular products.*

If you would respond similarly with the same nonspecific answers that most of your competitors would give, it could be because you're competing as a generalist.



The problem with being a generalist is that it's an unsustainable competitive position.

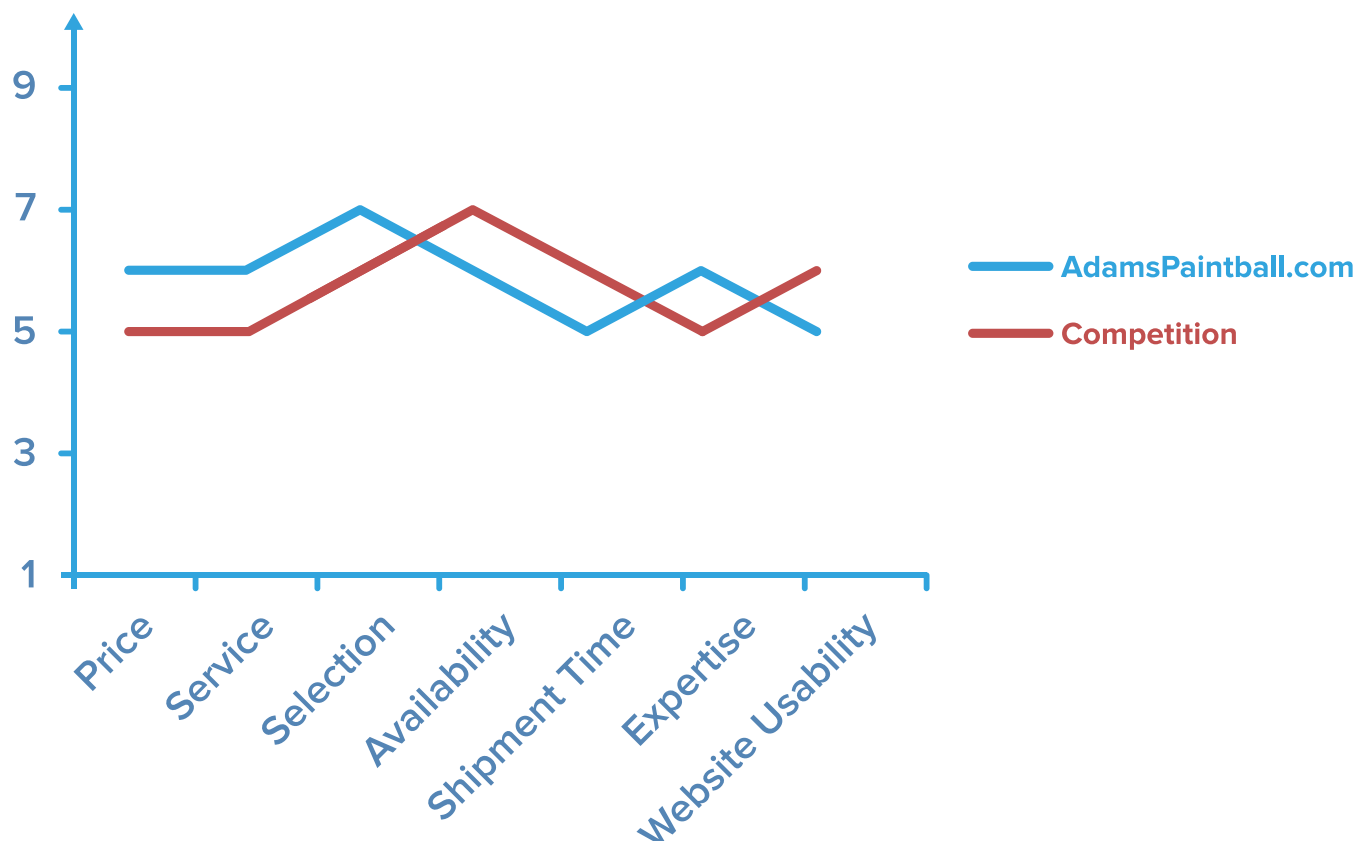
Large competitors, like Amazon and Walmart, are the ultimate generalists. If you try to play the generalist game of being all things to all people – by trying to offer the best price AND the best service AND the widest selection – another competitor will eat your lunch... eventually.



- *Your profit margins will erode as you fight to maintain low prices.*
- *Your marketing budget will be starved as a result.*
- *Your sales will gradually decline.*

Even the best inbound marketing in the world won't save you over the long term. At the very least, growing will be harder than it needs to be. This concept is explored in the book *Blue Ocean Strategy*, which presents the concept of a value curve.

The following graph shows what a typical generalist's value curve might look like. Notice that our subject, *AdamsPaintball.com*, exhibits relatively average performance against its competitors on values like price, service, selection, product availability, and so on. That's why no compelling reason exists for shoppers to buy from him.

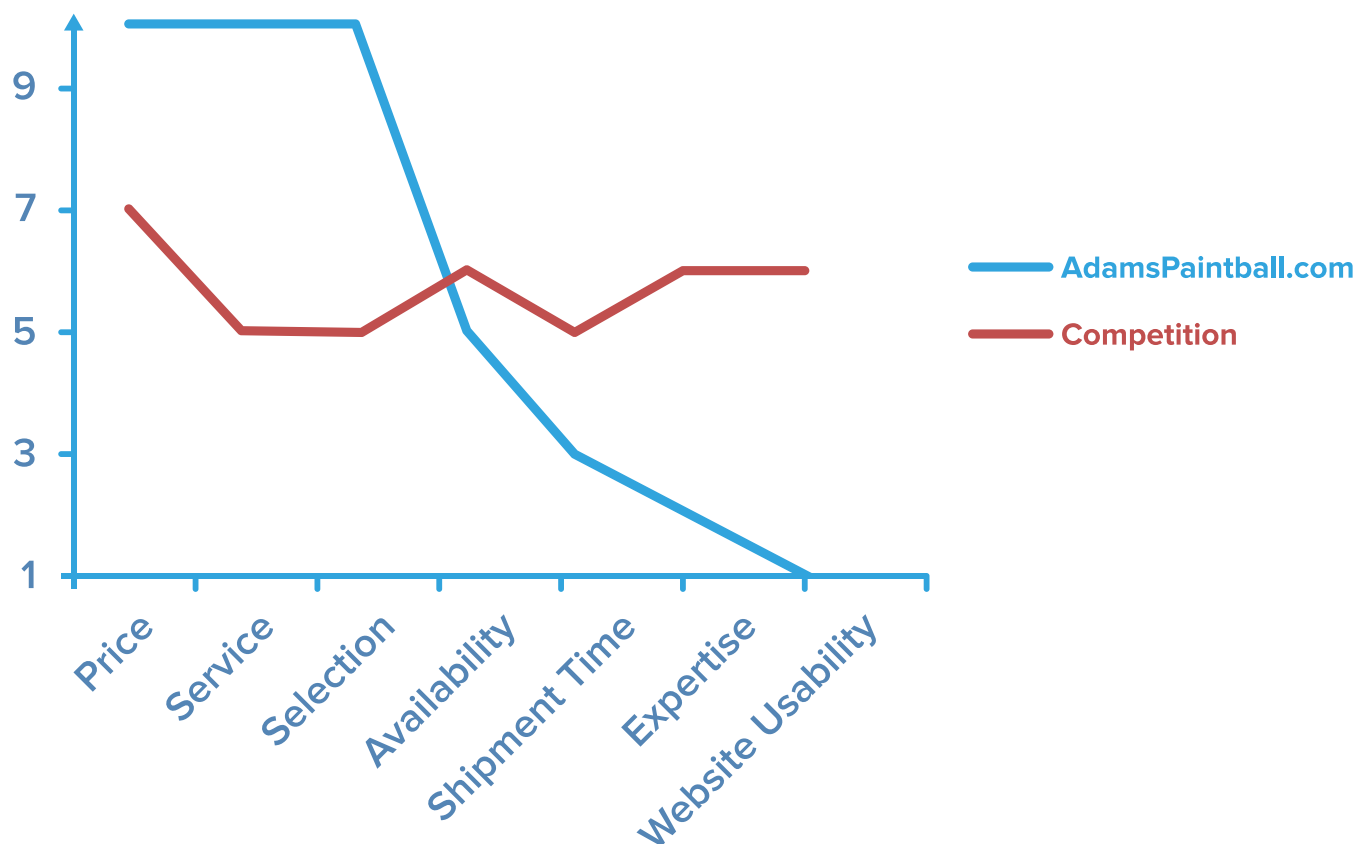


A specialist, by contrast, tries to play by a different set of rules. Rather than providing average value to all customers, as most generalists do, a specialist tries to provide exceptional value to a smaller subset of customers.

What's the catch? Providing exceptional value always involves tradeoffs.

In Adam's case, for example, this might mean cultivating an overall website experience that caters very well to advanced hobbyists (using lots of technical jargon), at the expense of newbies who will become quickly overwhelmed. It could also mean decreasing overhead which might negatively impact product selection and customer service in order to cut prices as low as possible.

After making tough tradeoffs, the value curve may start to look something like this:



Now Adam is offering his customers a distinct choice!

His customers can buy from him and get the lowest prices every time if they are willing to accept his limited product selection, customer service, and slow shipping times.

Adam might want to deliver exceptionally high values on everything his customers want, including price, availability, selection, and service, but sustaining that over the longterm is almost impossible. Adam must differentiate, or **die**.

BEING A SPECIALIST

REQUIRES ALIGNING EVERYTHING YOUR COMPANY DOES TO MEET THE NEEDS OF A DISTINCT GROUP OF CUSTOMERS BETTER THAN ANYONE ELSE.

When you are clear on who your target customer is, the day-to-day decisions you'll need to make in growing and marketing your online store become much easier. Everything from your product mix and pricing strategy to where you advertise and what kind of content you create will serve a greater strategic purpose.

Deciding which target customers to prioritize will be one of the most important decisions you ever make, and it's not a decision you should make in haste. We recommend you start by understanding and calculating customer lifetime value, which is discussed in the next chapter.

Then, we'll show you to take that concept further by calculating the relative value of different customer segments, like newbies versus advanced hobbyists. Not only will this approach help you decide which customers to focus on, you'll also gain valuable insights that will enable you to optimize every step of your marketing funnel.

Understanding Customer Lifetime Value

A critical metric that gives insight into your overall business performance, in addition to helping you decide which customers, product categories, and inbound marketing channels you should prioritize, is customer lifetime value (LTV).



Depending on the historical data you have at your disposal, calculating CLV may require that you make certain assumptions about:

- *How long you can generate sales from an average customer (customer lifetime)*
- *How often they'll buy from you (purchase frequency)*
- *How much they'll spend each time on average (average order value)*
- *How much profit you'll make (gross profit)*
- *How expensive it will be to acquire them as a customer (acquisition cost)*

Let's take those data points one at a time, using AdamsPaintball.com as our example ecommerce company.

CUSTOMER LIFETIME

Today, Adam serves many different types of customers, from newbies who want a cheap paintball gun for the summer to advanced users who will play 20 times per year for half their lives.

In an ideal world, he would survey his customers to figure out who is who and track their purchasing behavior to calculate the average number of years he can expect orders from them.



Today, unfortunately, Adam doesn't have that data. So, he has to resort to a common technique used frequently by people who build financial models: making educated guesses.

Adam believes his customers break into the following customer personas:

- *Newbies with an average customer life of 1 year (35%)*
- *Hobbyists with an average customer life of 3 years (40%)*
- *Advanced users with an average customer life of 7 years (25%)*

Once he totals that out, he figures that on average, his customer lifetime is 3.3 years.

PURCHASE FREQUENCY

If Adam had a good marketing automation or order management system, he'd easily be able to determine the average number of orders his customers place. He might even be able to segment that data based on the customer personas identified above. Unfortunately, Adam doesn't have that luxury.

He estimates that, on average:

- *Newbies only order once from him per year*
- *Hobbyists order 1.3 times per year*
- *Advanced users order 1.5 times per year*

The reason for the fractions is that these are averages, and not all of his customers buy from him each year. Taking into consideration the distribution of customers in each of his customer personas, he expects 1.25 orders per customer, per year.

AVERAGE ORDER VALUE

Over the past 3 years Adam knows he has received 45,000 orders, which generated \$4.275 million in revenue. He estimates his average order value at \$95.

GROSS PROFIT

Adam's gross profit margin (revenue minus cost of goods) is 30%.

ACQUISITION COST

Adam spends 100% of his marketing budget on inbound marketing (SEO, PPC, etc), which totaled \$125,000 in expenses over the past 3 years. During that time, he has acquired 35,000 new customers. That makes his cost per acquisition \$3.57, or 3.76% of revenue.

ADDING IT ALL UP

When we add everything up (see the table below), we find that on average, every new customer is worth \$102.83 in profit to Adam. That's his CLV.

1 Calculating # of Orders Per Customer	
Lifetime (Years)	3.3
Purchases Per Year	1.25
Total Orders Over 3 years	4.125

2 Calculating Revenue Per Customer	
Average Order Value	\$95
Purchases Over 3 Years	4.125
Revenue Per Customer	\$391.88

3 Calculating Average Customer Value	
Revenue Per Customer	\$391.88
Minus Cost of Goods	\$274.31
Minus Acquisition Cost	\$14.73
Average Customer Value	\$102.83

When you start tracking CLV, it has the potential to change the way you think about your business. It's a single metric that tells you how well your business and marketing strategy is working. And it's just the beginning.

Customer Segmentation: Doing More with Less

Remember those three persona groups discussed in the previous chapter? Newbies, hobbyists, and advanced users? Check out what the average customer value is when we just focus on advanced users.

1 Calculating # of Orders Per Customer (Advanced Users Only)	
Lifetime (Years)	7
Purchases Per Year	1.5
Total Orders Over 3 years	10.5

2 Calculating Revenue Per Customer (Advanced Users Only)	
Average Order Value	\$95
Purchases Over 3 Years	10.5
Revenue Per Customer	\$997.50

3 Calculating Average Customer Value (Advanced Users Only)	
Revenue Per Customer	\$997.50
Minus Cost of Goods	\$698.25
Minus Acquisition Cost	\$37.51
Average Customer Value	\$261.74

This tells us that advanced users are worth \$261.74 in profits over time. That makes them 155% more valuable than average customers. That makes them a very profitable customer target.

Now, let's compare newbies to advanced users. Newbies have a low CLV (\$24.93), meaning that advanced users are worth 950% more to Adam than newbies are. Advanced users are worth a lot more than hobbyists as well, coming in at a CLV of \$97.22.

Let's summarize the data in a table so we can do some analysis to evaluate the next 1,000 orders Adam might receive.

Segment	% of Customers	CLV	Profit
Newbies	35%	\$24.93	\$8,724.80
Hobbyists	40%	\$97.22	\$38,887.68
Advanced Users	25%	\$261.74	\$65,435.00
Total			\$113,047.40

Even though newbies represent 35% of Adam's orders, over the long-term, they represent very little profit compared to hobbyists and advanced users.

In fact, if Adam stopped catering to newbies all together, as part of the value curve discussed in the "be a specialist not a generalist" chapter, here's what the numbers might look like:

Segment	% of Customers	CLV	Profit
Newbies	10%	\$24.93	\$2,492.80
Hobbyists	50%	\$97.22	\$48,609.60
Advanced Users	40%	\$261.74	\$104,697.60
Total			\$155,800.00

Adam's profit would go up 38%, and even more when you consider the cost reduction that would accompany a change like this! Sure, some newbies would still buy from him, but he would get a lot more of his business from hobbyists and advanced users.

TAKEAWAY

This exercise demonstrates why strategy is so important. By leveraging concepts like the value curve, customer lifetime value, the Perpetual Growth Strategy, and segmentation, you can transform your business.

In this case, once Adam makes the strategic decision to focus his business on more advanced users who value different things than newbies do, he can make more money.



Now, Adam's inbound marketing strategies won't be focused on getting all potential paintball product shoppers to his site, but rather the right ones. His keywords, ad copy, bid strategies, conversion strategies, and retention strategies will all be heavily influenced by this change in strategy.

CASE STUDY: PUTTING IDEAS INTO ACTION



One client of Exclusive Concepts, OverstockArt.com, learned these lessons 10+ years ago when we started working together.

While most people who buy art prefer to purchase inexpensive prints, David Sasson, CEO of OverstockArt.com, recognized a huge market for premium-priced, oil-on-canvas reproductions that feel, smell, and look like the real thing. From the very beginning, OverstockArt used pay-per-click marketing to drive traffic to their site.

Given the nature of what they sell, and that average prices for their merchandise are upwards of \$300, a very low percentage of first-time visitors to their website make a purchase. In fact, if you were to judge the performance of their pay-per-click campaigns based on the amount of revenue they immediately generate from customers, the campaigns wouldn't look very profitable at all.

Their low conversion rates are influenced by many things, chief among them that most people searching for paintings want to buy inexpensive prints. David made a strategic choice not to cater to these customers and instead cater to wealthier buyers who wanted something more sophisticated for their home or office. In other words, David decided to focus on a tiny segment of art reproduction buyers who are motivated by something other than price.

That choice enabled OverstockArt to go from a bootstrap-funded online retailer to a successful store that ranks on the Internet Retailer 1,000 list of largest merchants.

While there's no shortage of websites to buy art prints online, OverstockArt was the first to offer handmade reproductions that he is able to sell for a premium price. OverstockArt's customers value their unique products so much that many make multiple purchases over time, not just for themselves, but also as gifts for friends and family.



By establishing themselves as specialists, and by taking into account the full lifetime revenue they can generate from each new customer, they've discovered a winning strategy that has propelled growth in both their revenue and profits. Their marketing channels, like PPC, have become strategic customer acquisition channels that pay off over the long term.

[\[Read more case studies here\]](#)

Deciding Which Inbound Marketing Channels to Prioritize

Each week, imaginary CEO Adam receives dozens of sales calls and emails that promise to bring more qualified traffic to his site. These advertising pitches focus on a wide range of channels including search engines, shopping portals, social media, email, print ads, television ads, and more.



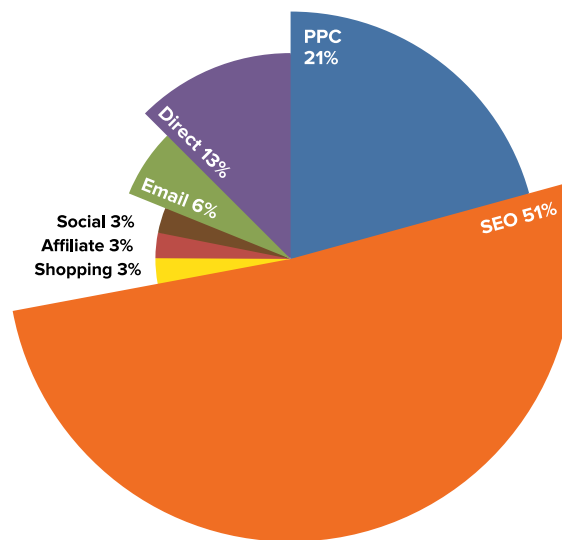
Adam ignores most of these phone calls, but he wants to increase traffic and sometimes feels overwhelmed. There are endless channels and strategies from which he could choose.

Unfortunately, Adam finds himself falling into the same trap that many online retailers do. Adam should commit his time, resources, and attention to mastering one or two key channels. Instead, he spreads himself too thin. He does a little of everything, but nothing extremely well.

As a result, he has trouble building marketing momentum, and growth comes at too slow of a pace.

So, what channels should Adam prioritize above all others? The answer is simple: The most lucrative ones.

And the most lucrative channels for small and mid-sized online retailers are search engines. Specifically, Google. Recently we analyzed the traffic sources of hundreds of online retailers, and the pie chart below shows where their traffic is coming from.

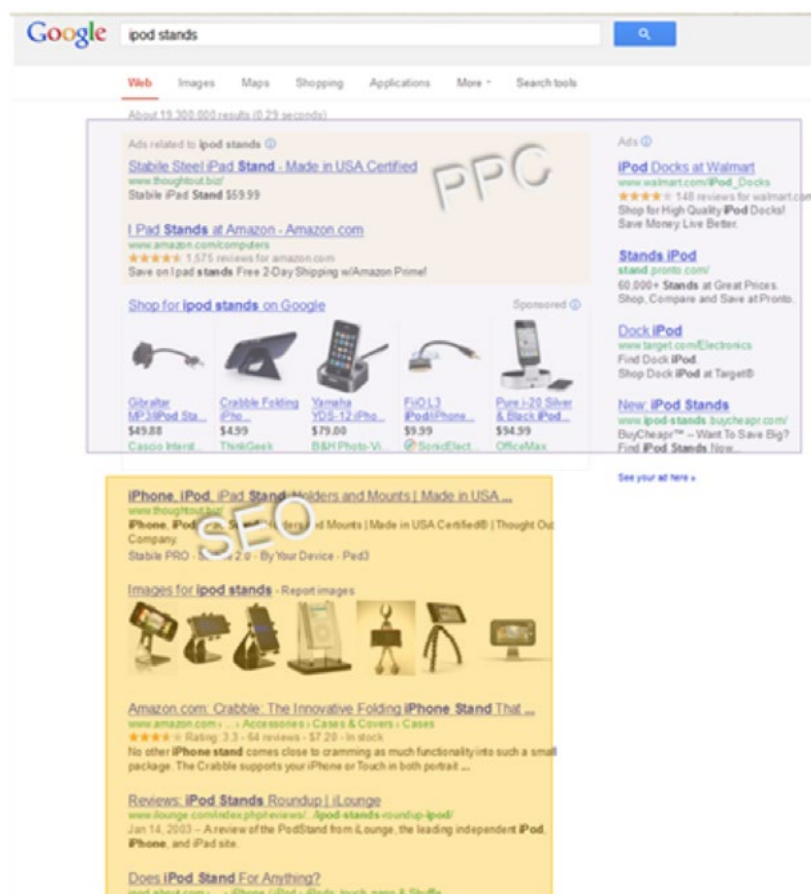


- *SEO (non paid traffic from search engines) is responsible for more than half of traffic.*
- *PPC (paid traffic from search engines) is responsible for 21% of traffic.*
- *Direct traffic, which refers to shoppers directly typing in the URL of the store, was the third biggest source at 13%.*
- *Social sources, according to our analysis, only drove 3% of total site traffic.*

According to our analysis, search engines drove 72% of traffic. A good rule of thumb, therefore, is that online marketers should commit 72% of their marketing budget and resources to search engines. That means not getting distracted by other seemingly sexier channels, like social media and comparison shopping engines.

Focussing Your Inbound Marketing on SEO & PPC

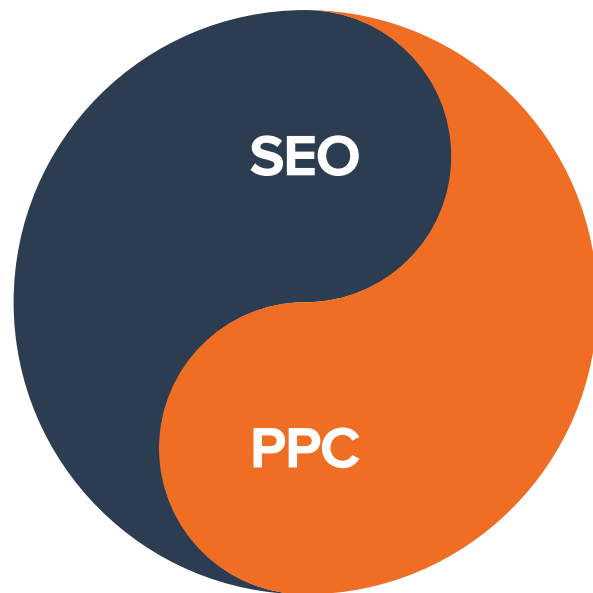
The graphic below shows a typical search results page on Google and highlights results that are influenced by PPC (shaded in blue) and SEO (shaded in yellow) respectively.



As you can see, PPC results (i.e. paid listings) have prime real estate on the search results page and, as of late 2012, now include Google Shopping results. You improve your PPC visibility by bidding more per click than your competition and by improving the experience users have on your site.

SEO results (i.e. organic listings) appear farther down the page, but they are still the most important because more people click on organic listings than paid listings. You improve your SEO primarily by adding more original and useful content to your site.

While SEO does currently have the potential to drive more traffic, our prediction is that by 2015, the distribution of SEO to PPC clicks will be 50/50.



Key differences between SEO and PPC:

- *SEO brings more traffic for less cost over the long term.*
- *PPC traffic can be scaled quickly, while SEO can take years.*
- *SEO risk is tied to changes in Google's algorithms that can demote your rankings.*
- *PPC risk is the money you can lose while trying to make it work well for you.*

HOW TO BUDGET FOR SEO AND PPC

Since we believe PPC will equal SEO in terms of traffic and revenue potential over the long term, we expect to see budgets for SEO and PPC to be split 50/50.

A different way to budget for SEO and PPC that may be more effective for some merchants in the short term centers on a single metric: cost per acquisition (CPA).

$$\text{THE FORMULA FOR CALCULATING CPA} = \left[\frac{\text{TOTAL MARKETING COST}}{\text{NUMBER OF CONVERSIONS}} \right]$$

So to calculate your CPA for PPC, you would divide your total PPC advertising cost by the number of conversions it produces for you.

You would then do the same for SEO by adding up the expenses for your SEO activities (like onsite optimization, content development, attracting links) and divide by the revenue you generate through SEO channels.

If your SEO cost per acquisition is low, which means you are investing very little into your SEO efforts relative to the revenue it generates for you, that's a sign you should increase your SEO budget.

If your PPC cost per acquisition is low, indicating it is highly profitable and efficient, you should look for opportunities to increase your budget and scale up your campaign.

As you grow, the way you budget will get more complex and evolve.



Aligning SEO with Your Business Strategy

Earlier in this ebook, we coached Adam, CEO of AdamsPaintball.com, through a series of exercises meant to identify his most valuable customers.

Adam then set the following longterm goal for his business, which prioritizes hobbyists and advanced user customer segments over newbies:

Segment	% of Customers	CLV	Profit
Newbies	10%	\$24.93	\$2,492.80
Hobbyists	50%	\$97.22	\$48,609.60
Advanced Users	40%	\$261.74	\$104,697.60
Total			\$155,800.00

As a result of this plan, Adam can now build a more focused SEO strategy. That starts with deciding what keywords to optimize his site for.

DEVELOPING A STRATEGIC KEYWORD STRATEGY

Rather than targeting broad phrases like “paintball” or “paintball supplies,” which often cater to newbies, Adam should develop a keyword strategy that focuses more on hobbyists and advanced users.



In Adam’s case, targeting broad phrases will be much like targeting the “newbies” segment. He’ll have to put most of his effort there, but the payback will be limited at best.

That’s because only a small set of broad phrases are the most highly searched in any category. Thousands or tens of thousands of other merchants may focus most of their resources on improving rankings for these phrases, and beating them requires a tremendous amount of time and investment.

Then, once Adam wins, he’ll be watching his rankings every day, waiting for a new competitor or a change in Google’s algorithm to push him farther down the search results pages.

What Adam and most of his competitors usually don't understand is that less popular, more specific phrases, in the aggregate, can bring a much higher return on investment than targeting broad phrases.

Google **tells us** that “15% of searches we see everyday, we've never seen before.” Add those to occasionally searched “longtail” terms, and moderately popular terms, and you'll see that adds up to more than 50% of the total traffic opportunity pretty quickly.

About Long-Tail Distributions: “What is unusual about a long-tailed distribution is that the most frequently occurring 20% of items represent less than 50% of occurrences; or in other words, the least frequently occurring 80% of items are more important as a proportion of the total population.”

Source: Wikipedia

Not only do less popular terms represent a greater total opportunity to drive traffic, but attaining rankings for these terms is often much easier and more sustainable.

Moreover, in Adam's case, since most of his customers are experienced enough to know the types of paintball products they're interested in, they'll be searching on more specific, less popular, keywords anyway.

What all of this means is that Adam should abandon his old strategy of targeting broad vanity keywords like “paintball.” Instead, he should focus on scaling a strategy that enables him to rank for strategic, more lucrative, less popular, and less competitive search queries.

How can Adam do that? He can start *Valuescaping*SM.

HOW TO VALUESCAPE

Valuescaping is a term coined by our VP of Client Services at Exclusive Concepts. It's a methodology for continuously improving pages on your website to ensure they rank for keywords that will generate the most revenue.

While we can't give away our secret sauce, we can give Adam a simple framework for valuescaping that he can implement immediately, which can bring him a lot of value (no pun intended!).

STEP 1: Decide Where to Focus

Adam, like main online retailers, organizes his website according to the following structure:



In sum, Adam has 15 product categories, and 100 brands, represented on his website.

Since Adam wants to focus on hobbyists and advanced users, he identifies five high-value product categories, and 20 brands, that cater very well to his target shoppers. These are the parts of his website he'll want to optimize first.

Of these, Adam decides to focus on the “sniper paintball gear” category because sniper paintball products are especially popular with advanced users, and that category has historically performed well. He wants to make it perform even better.

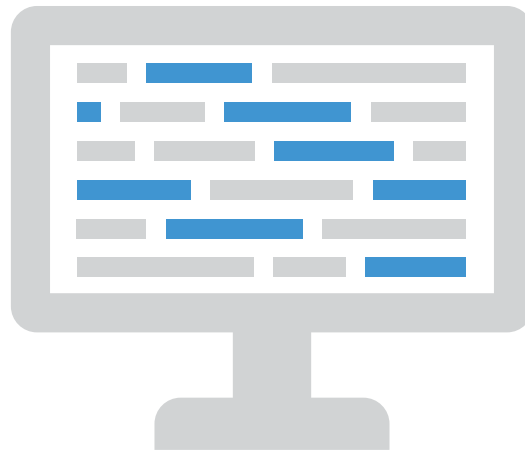
His sniper paintball gear category is pretty small, with three subcategories and 20 total sniper gear products.



STEP 2: Use Analytics to Select Target Keywords to Optimize For

Historically, Adam would use the Google AdWords keyword tool to figure out which keywords he wanted to optimize for. Tools like this show you how many times per month people search on particular keywords.

The problem for Adam, however, is that tools like this got him in bad habits. If he wanted to rank well for a term like “paintball guns,” for example, he’d end up repeating that same keyword in many different ways on his website.



That caught up to Adam a year ago when he was hit by one of Google’s new ranking algorithms which demoted sites who appeared to be keyword stuffing. See the next chapter for more on that.

For now, our advice to Adam is to use Google Analytics to identify keywords that bring shoppers to his 24 sniper gear pages (one category page plus three sub categories plus 20 product pages).

Adam should list out all of these keywords and build out concepts from them. For example, concepts related to the search phrase “sniper camouflage” may include combat pants, armor shirts, paintball clothing, etc.

STEP 3: Write Content

Adam should map these concepts to his sniper camouflage gear subcategory, and write about them in the words of text that will appear on the main sub category page and on the product pages.

In the past, Adam would have just peppered the subcategory page with variations of “sniper camouflage gear,” which looks unnatural to Google. By exploring related concepts rather than focusing on simple keyword variations, and by creating quality, original content around them, Adam actually plays to an advanced aspect of Google’s algorithm called “topic corpus.”

**Think of “Topic Corpus” as a cloud of keywords
you could potentially rank for.**

When you select keywords in an unnatural way, and simply find clever ways to repeat them over and over throughout your site, the cloud of keywords you could rank for is very small.

When you focus on concepts, not keywords, you simply target a much larger cloud of potential keywords.

To ensure Adam gets maximum value from the content he creates, he’ll need to consider key questions that Google’s algorithm evaluates:

- *Whether the content is uniquely written or duplicated.*
- *Whether the keywords incorporated seem natural or keyword-stuffed.*
- *Whether the content appears thoroughly researched or like shallow prose.*
- *Whether the content is edited carefully or full of misspellings and typos.*

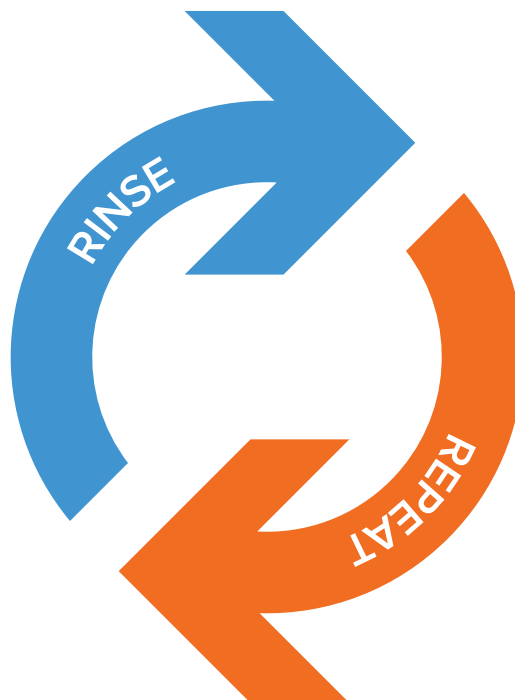
STEP 4: Rinse and Repeat

Over time, Adam will want to repeat steps one, two, and three across the pages of his website that cater to the shoppers he values most highly, starting with the ones he identified in step one.

By catering to the “topic corpus” aspect of Google’s algorithm, and by creating useful content, he’ll simultaneously deliver a great experience to his target customers while achieving high rankings on many phrases he never even tried to rank for.

In fact, even though Adam all but disavowed broad, popular keywords, he’ll find that he will start to naturally rank better for these terms as well. That’s because he’s building a site that’s deep with naturally written content, and Google seeks to reward sites like these over the long term.

Rankings, however, are not Adam’s goal anymore. Profitable revenue growth is.

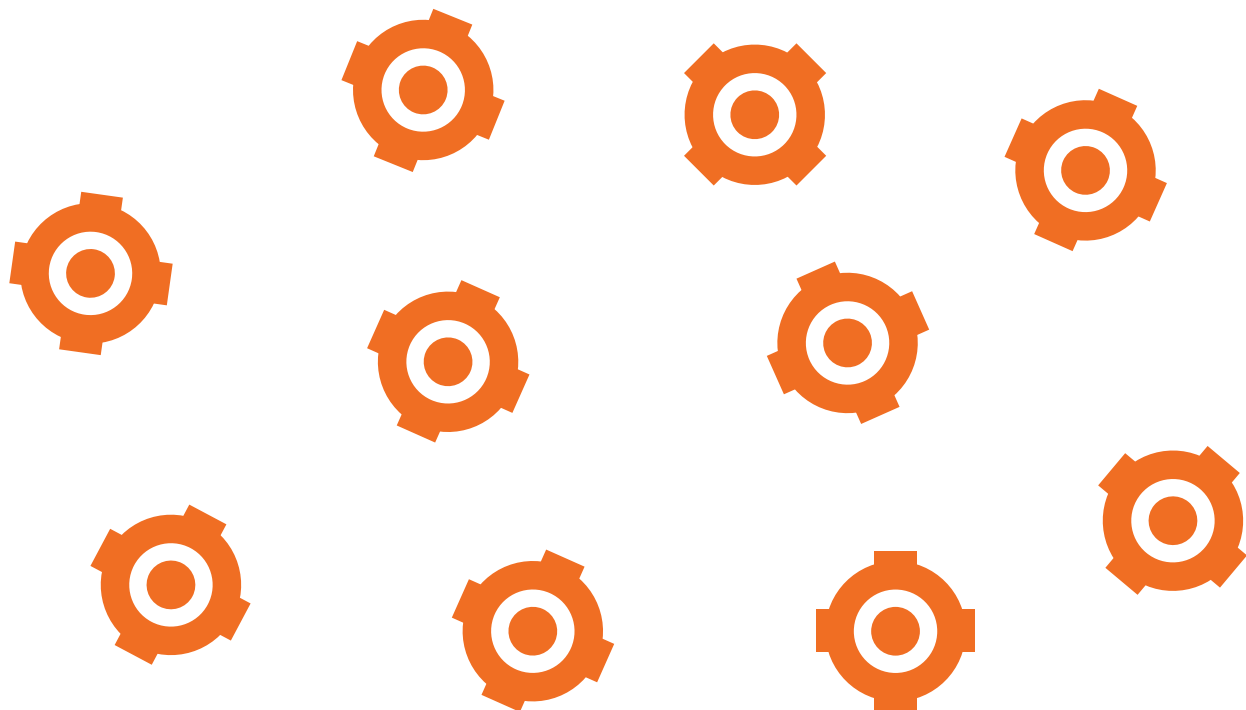


AVOIDING MINEFIELDS

The biggest minefield we've seen online retailers step in has to do with their choice of who will write their content for them. Effective SEO copywriting, especially for online retail sites, is both a science and an art. It aims to balance four primary goals:

- *Delivering value to your shoppers.*
- *Optimizing keyword use to achieve rankings without triggering red flags from Google.*
- *Becoming the voice of your brand.*
- *Scalability while maintaining a high return on investment.*

It takes a well trained copywriter, managed by smart SEOs, working within a well honed process, to maximize performance against these goals.



MEASURING RESULTS

Online retailers typically measure the effectiveness of their SEO by generating reports that show how well they are ranking for key phrases. This makes a lot of sense if your strategy is focused on a small number of broad and very popular phrases. As Adam has discovered, however, that kind of strategy probably doesn't make a lot of sense for him.

RESULTS



The best way for Adam to measure the effectiveness of his SEO is to think of efforts as campaigns and to measure the ROI of those campaigns.

For example, in the scenario above, Adam created an SEO campaign around the sniper paintball gear section of his website. Within that campaign, he developed a keyword strategy and a content strategy, and wrote and optimized a lot of content.

Adam should calculate the total cost of those efforts (his investment), and then at some point in the future (example: six months), use analytics to calculate the increase in revenue he generated as a result.

If Adam invested \$2,500 in that campaign, and that category's revenue climbed \$10,000 in the next six months as a result, he would probably break even after factoring in the cost of goods. But since he'll continue reaping rewards from that campaign for months and years to follow, he'd probably consider that investment a success.



The bottom line is that for most merchants, it's better to measure SEO by the revenue and profits it produces than by the rankings it achieves on vanity non-strategic keywords.

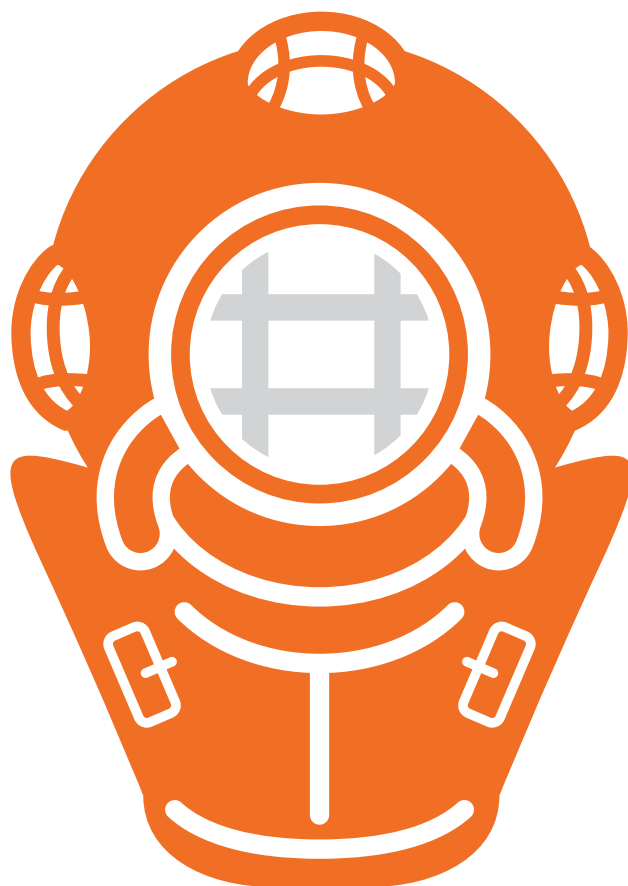
[Google made the old way of doing SEO obsolete. Get eCommerce Guide to Google 2014 here and receive an advanced SEO audit FREE. [Click here.](#)]

A Deep Dive on SEO Keyword Stuffing

For years, a widely utilized SEO tactic was to find many ways to rephrase a single target keyword on a page in order to achieve strong rankings. A related strategy was to use the [Google AdWords Keyword Tool](#) to identify popular, highly searched keywords so they could be incorporated into a target page on your website. Many would refer to these practices as “keyword stuffing.”

The motive for tactics like these is often fairly innocent. People assume that search engines like Google aren’t smart enough to know that a phrase like “Bose Sound Dock” is related to a phrase like “Bose Music Player” or “iPhone 5 music system.”

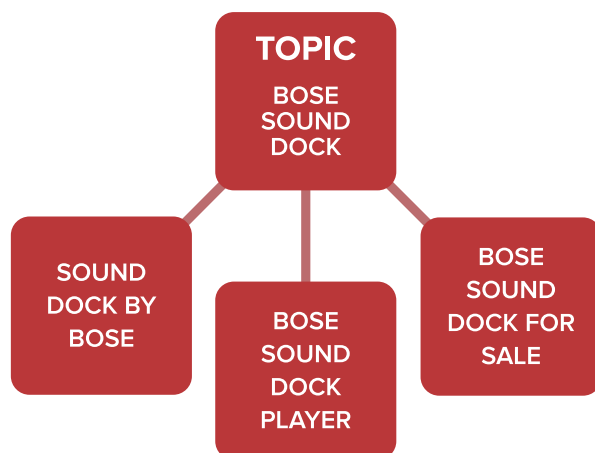
Google has evolved greatly in this regard, however. Recent updates by Google have neutralized the benefits of keyword stuffing. In fact, if too many pages on your website use these keyword-stuffing techniques, Google may go the extra step of tagging every page on your site as being part of an untrustworthy website. This has a very negative impact on rankings.



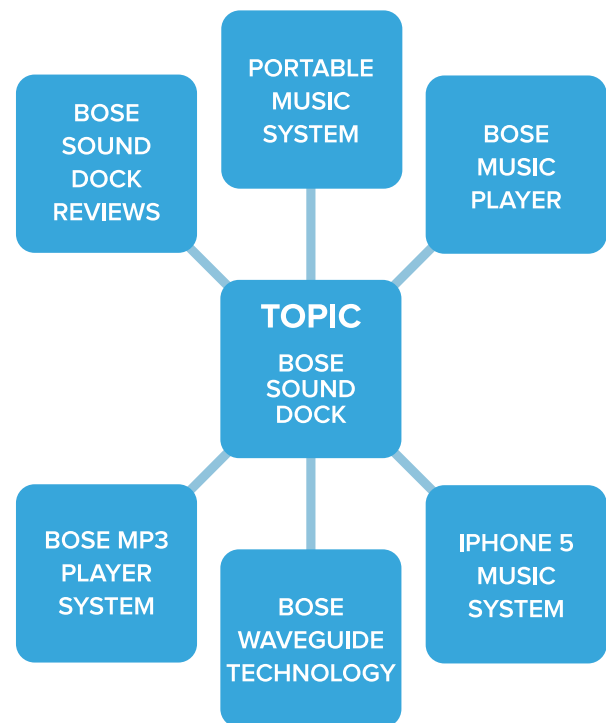
Conversely, you can gain favor from Google by having a keyword strategy that is (or appears to be) very natural (i.e. content written to be very useful to shoppers, not search engines).

For example, imagine you're trying to optimize the product page for a Bose Sound Dock. On the left, you'll see a keyword approach that, if used aggressively, could get you flagged for keyword stuffing. Note that all the keywords include the words "Bose," "Sound," and "Dock" in some combination. On the right, you'll see keywords that represent concepts that Google knows are related to Bose Sound Dock, but that appear to be naturally varied.

Bad (Keyword Stuffing)



Good (Natural Keyword Use)



Aligning PPC with Your Business Strategy

As discussed in an earlier chapter, one of the best ways to make PPC work for you is to increase your conversion rate (the rate at which clicks turn into sales).



The higher your conversion rate, the higher you can bid for each click and spend on PPC in general. And the more you can spend on PPC, profitably, the greater your market share will become.

If Adam wants to be the leader in his category, that's the attitude he'll need to adopt. Of course, the first step for Adam will be defining his category.

DEFINING YOUR CATEGORY

Based on the analysis conducted in the past few chapters, Adam has identified three segments of paintball customers that apply to his business. Here's that table again:

Segment	% of Customers	CLV	Profit
Newbies	10%	\$24.93	\$2,492.80
Hobbyists	50%	\$97.22	\$48,609.60
Advanced Users	40%	\$261.74	\$104,697.60
Total			\$155,800.00

Adam has made a choice to divest from newbies, invest in advanced users, and maintain his current level of focus on hobbyists. So, when he thinks about using PPC to support his strategy of leading his category, he's using different parameters to define his category than most of his competitors. He's excluding a big chunk of customers.

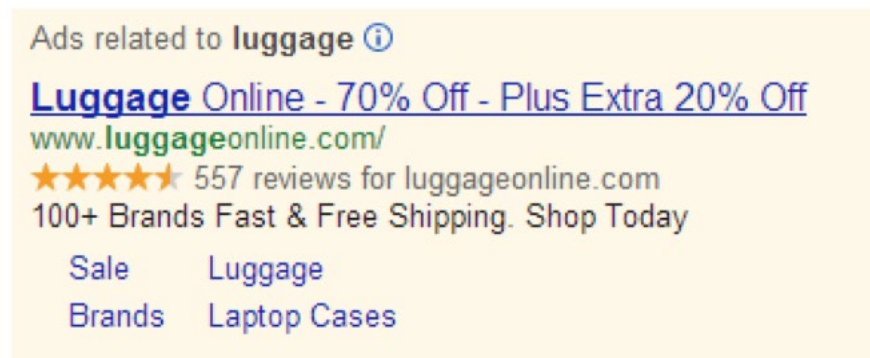
To be clear, the category in which Adam wants to lead is:

Hobbyist and Advanced Paintball Product Buyers

Now that Adam knows the category he wants to lead, he'll need to think about how he wants to position his company in his messaging, how he will organize his campaign in AdWords, and what his keyword strategy will be. Of course, he'll need to optimize his website to support this new strategy too, but that's the subject of part two of this ebook.

STRATEGIC POSITIONING

Being a marketer is hard when you're trying to craft messaging that simultaneously appeals to many types of customers. Take this ad from LuggageOnline.com, for example, which has purchased the #1 paid listing for the term luggage:



That ad is a generalist ad if I've ever seen one. LuggageOnline is not sending a very specific message to the world.

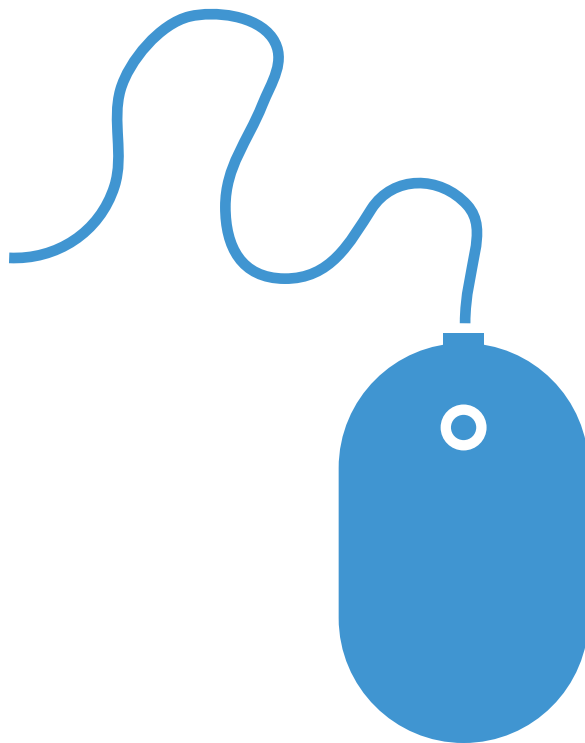
Sure, many shoppers care more about price more than anything else, but what about frequent business travelers?

This is an example of a lucrative customer segment who may want a good deal but value other things more – like finding the most durable bags, finding the highest capacity carryon bags, or buying from a store that provides fast and efficient customer service.

LuggageOnline may provide all of those values too, but because their strategy is to cater to a wide audience, they can't focus on those values within their ad.

Every large category, like Adam's broader paintball products category, has competitors who position themselves as generalists too. But because Adam has made some tough choices about which customer segments to focus on, he'll be able to make much more specific promises in his ads than his generalist competitors can.

That might make Adam's ads less appealing to the majority of newbie shoppers, but that's OK. He doesn't want them to click anyway. He just wants the majority of more advanced shoppers to click.



CRAFTING EFFECTIVE AD COPY

Earlier in this ebook, we identified three values that Adam might want to deliver on better than his competitors: expertise, price, and availability.

As such, Adam can start working those messages into his ads to position his store differently than his competitors.

For example, if Adam is creating an ad for a high-end paintball gun (Eclipse Geo 3 which sells for \$1,345) rather than just promising the lowest price on that gun, he might leverage his expertise by promoting an “expert review of the Eclipse,” or “everything you need to know.”



He might promote the price in the ad, too, without gimmicky language, since the choices he’s made about his business strategy enable him to consistently deliver the lowest prices.

In addition, Adam might recognize that his competitors typically carry a very limited selection of the most expensive products, for obvious reasons. If he regularly keeps these items in stock, however, his message might promote the item as “in stock now, no drop shipping.”



As advanced paintballers conduct searches to compare highend guns over time, the fact that Adam’s site consistently comes up promoting availability, expertise, and price will improve his probability of getting the eventual sale.

As you optimize your ad copy, don’t forget the first critical habit of the Perpetual Growth Strategy: Be data driven. In this case, that means continuously testing your ad copy.

ORGANIZING YOUR PPC CAMPAIGNS

Our PPC team at Exclusive Concepts audits hundreds of Google AdWords and Microsoft adCenter accounts for online retailers each year, and more often than not, these accounts are organized terribly. When accounts are disorganized, performance suffers.

We recommend online retailers follow a basic approach to organizing their PPC campaigns that maps their account structure to the structure of their website:

CAMPAIGNS

• **CATEGORIES**

AD GROUPS

• **PRODUCTS**

“Campaigns” in AdWords, for example, should map to the product categories on their site. “Ad Groups” should map to particular products.

There are many benefits for CEOs like Adam to organize his account this way. For example, he can quickly increase the bids on strategically important product categories, and focus his attention on optimizing them to full potential. He can also quickly decrease bids on poorly performing categories.

Simple changes like these are easy to make in well-organized campaigns but can take a tremendous amount of time in disorganized campaigns.

CRAFTING A KEYWORD STRATEGY

Creating a keyword strategy for PPC should be very similar to creating a keyword strategy for SEO, which was covered a few chapters ago.

In Adam's case, he'll want to start by focusing on concepts and keywords that are related to the product categories that cater most to his target customers. He'll also want to build out campaigns that cater to shoppers searching for reviews on more advanced products.



As he does this, Adam should be careful about how he manages his match types. Match types enable Adam to exercise control over which variations of the keywords he inputs into his campaigns will trigger his ads.

There are four match types to choose from in AdWords:

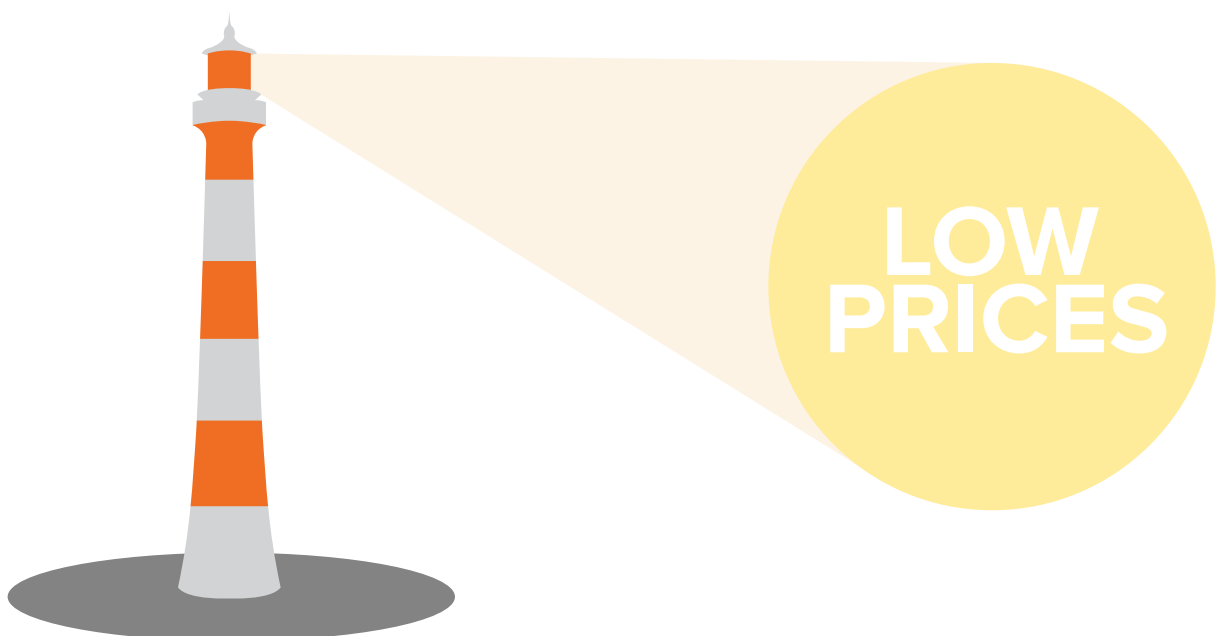
- *Broad: Google finds close variations and synonyms to your keyword (dogs, puppies).*
- *Modified broad: Google finds close variations, no synonyms.*
- *Exact: Google displays your ads only when the exact keyword is searched.*
- *Phrase: Google displays your ads when your keyword exists within a longer query.*

Since Adam is only targeting hobbyists and advanced users, he will want to exercise a lot of control over when his ads are displayed. As a result, broad match would be a bad choice for him. As a default, Adam should use the modified broadmatch type within AdWords, but quite often he'll want to use exact match to exert more control.

Adam will probably find he is served well by avoiding very broad keywords, like paintballs, or even paintball guns. Those keywords tend to target not only newbies, but also shoppers who are very early in the decision-making process, and therefore less likely to make a purchase.

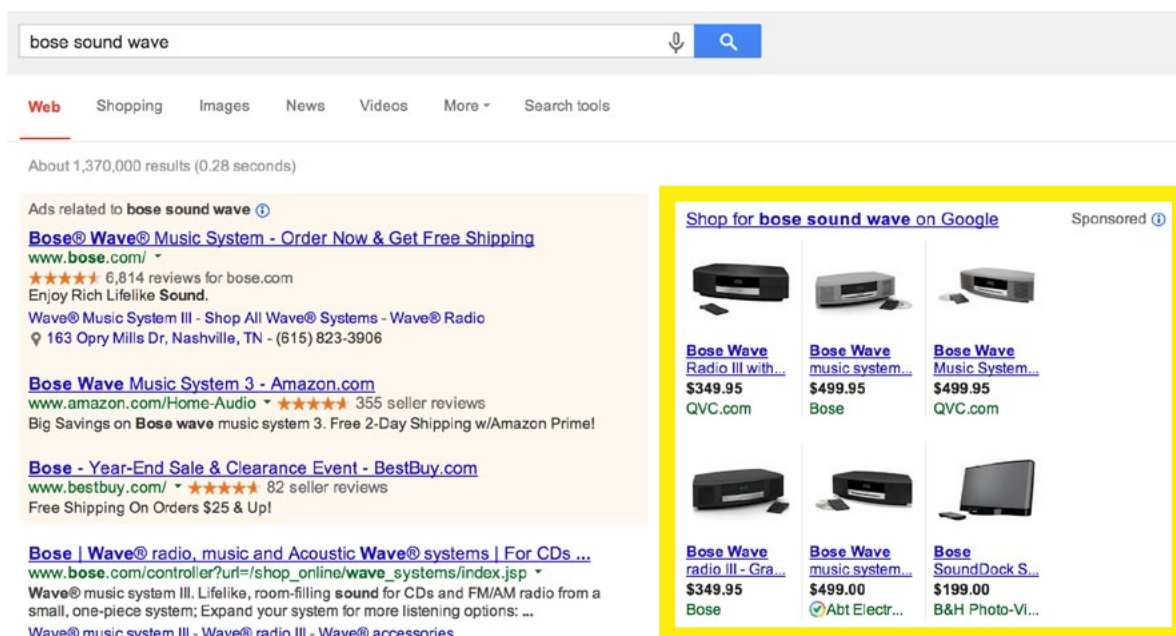
This approach enables Adam to improve the profitability of his campaign, but there is a drawback. He will miss out on a lot of potential customers by avoiding most broad search terms.

Fortunately, Adam does have an option. Google's new Shopping ads, covered in the next chapter, enable him to get visibility for broad searches in a way that highlights his low prices.



A Profitable New Option for PPC: Google Shopping

Through Google Shopping, you are able to create Product Listing Ads within your AdWords account that show up in Google search like this:

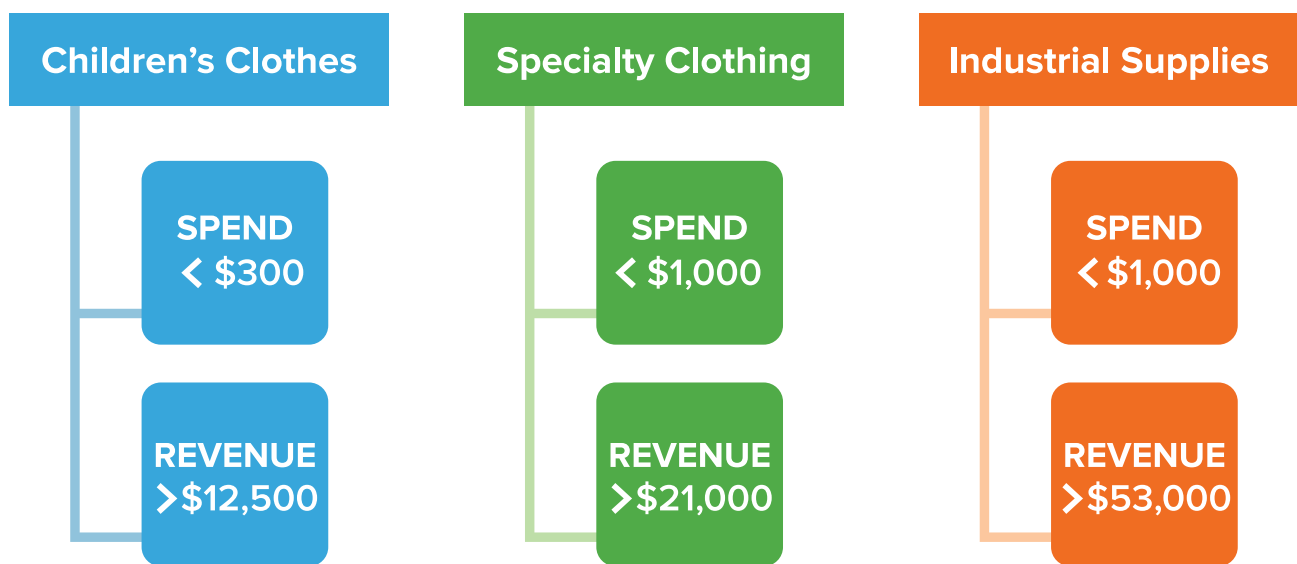


A rule of thumb with traditional search-based PPC marketing is that you should usually only bid on very targeted or longtail keywords. For example, instead of bidding on “Bose Soundwave,” you’d bid on a version of the official product name like “Bose Acoustic Wave Music System 2 Discount.”

Based on the early results we have observed, however, Google Shopping throws those theories on their head. We’re finding that not only do clicks garnered from Google Shopping result in higher conversion rates on longtail searches, they also result in high conversion rates from broader search terms as well. That means that Google Shopping can enable you to bid profitably on a greater pool of popular keywords.

Clicks from Google Shopping not only convert into sales at a higher rate, they are also a lot cheaper than clicks garnered from traditional PPC marketing. In sum, merchants get an incredible return on their investment when they invest in Google Shopping.

Here are three recent examples of merchants we helped experiment with Google Shopping last December:



Where else can you spend less than \$1,000 in advertising and generate \$53,000 in sales? We've seen similarly outstanding results, by the way, for merchants with much larger budgets as well.

[\[Send me eCommerce Guide to Google 2014 and show me how to maximize profits from Google AdWords and Shopping. Click here.\]](#)

A Strategy for Growth

When you strategically focus your business on catering to high-value customer segments, you'll learn that your traffic acquisition, conversion, and retention strategies should constantly be working in sync. That's what the Perpetual Growth Strategy is all about.

You will use data for making smart, incremental improvements to how you attract new qualified visitors to your site, convert them into customers, and retain those customers over a valuable lifetime.



As you continue to ramp up the value of each visitor through this strategy, your marketing dollars will multiply in their effectiveness — and you will be able to scale your marketing investment in a way that fuels very profitable growth for your business.

Along the way, you'll need to make some tough choices as you commit to a business strategy that makes you a unique choice among your competition.

In future ebooks, we'll focus more on the other essential elements: optimizing your website for conversions and developing a customer retention strategy that drives repeat orders from your most valuable customers. Stay tuned!

Google has made the old ways of SEO obsolete... but you can make their new rules work for you!

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2014 eCommerce Guide to Google

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A proven strategy for improving SEO performance, despite Google's preference for rewarding large brands.



An advanced approach for maximizing Google Shopping and AdWords profits.



An analysis of Larry Page, CEO of Google, and what he's likely to do next.

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The author, Scott Smigler,
is the President of
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About Exclusive Concepts

Exclusive Concepts has been helping retailers make more money from their online businesses since 1997. We provide do-it-for-you marketing services to hundreds of online retailers, including dozens of Internet Retailer's top 1,000 ranked merchants.



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