

PPC Professionals

Reduce AdWords CPA Over 60%
With Strategic Segmentation

A Case Study by ppcprofessionals.com



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SkinPerfect, an online retailer of natural skin care products, uses Google AdWords to acquire new customers searching for their products. SkinPerfect encountered a catastrophic profitability problem when they began to pay more to acquire a new customer than the average order value that each new customer was placing.

This case study will explain how the team at PPCProfessionals.com transformed SkinPerfect's account from a dangerous source of wasted ad dollars to one of the most valuable, revenue-driving marketing platforms utilized by the business. You'll learn how to apply the same winning strategy to your AdWords account using PPC Professionals' proven Strategic Segmentation approach to campaign structure.

THE GOALS

- Acquire new customers searching for target products
- Decrease cost to acquire new customers
- Become profitable

THE APPROACH

- Restructure account and segment by Match Type
- Optimize campaigns to drive relevant traffic

THE RESULTS

| Before Strategic Segmentation | After Strategic Segmentation |
|----------------------------------|------------------------------------|
| \$60 Average Order Value | \$60 Average Order Value |
| -\$20 Average Cost of Goods Sold | -\$20 Average Cost of Goods Sold |
| -\$75 Average Adwords CPA | -\$27 Average Adwords CPA |
| -\$35 Loss for each order | -\$13 Profit for each order |

Understanding AdWords' Algorithm

Beginners and seasoned PPC pros alike too often fall victim to their incomplete understanding of how the Google AdWords algorithm continually A/B tests the components of an account; this includes everything from ads to keyword match types.

Because they are so often misunderstood, it is necessary to have a base knowledge of the various keyword match types before you can learn how to segment them.

Broad Match keywords will allow you to reach the widest audience. However, when it comes to your target audience with AdWords, quality most definitely trumps quantity. When you use Broad Match, Google allows your ad to appear for search queries that include any word in your keyword phrases – in any order, and even other variations, including misspellings, synonyms and related searches. To further illustrate the danger of using Broad Match keywords, Google will add or remove keywords from the phrase you have identified in your Broad Match keyword list. As you can imagine, this leads to highly irrelevant traffic that results in wasted ad spend due to lost conversions.

Phrase Match keywords provide more control than Broad Match keywords. With Phrase Match, the search query entered by a user must match the exact order of your keyword phrase, but may also include additional keywords before or after the phrase.

Exact Match keywords are the most specific and targeted. A user must enter a query that matches your exact keyword or phrase for your ad to show, with no additional keywords. Exact Match keywords will also pick up traffic for the plural version of your keywords or keyword phrases.

When Broad, Phrase and Exact Match variations of keywords exist within an account, the AdWords algorithm will cause keyword match types to compete among themselves for impressions, clicks and conversions. Knowledge of this testing makes all the difference when it comes to preventing significant rises in Cost Per Acquisition (CPA).

Here at PPCProfessionals.com, our experience with high-volume campaigns and large budgets introduced to us the challenge of developing an account structure that would provide maximum control over Adwords' continuous A/B testing. We effectively met this challenge by developing and implementing the unique practice of Strategic Segmentation, a near-perfect approach to account structure for clients in any industry that is virtually guaranteed to drive revenue.

Strategic Segmentation is an approach to organizing AdWords accounts that leverages the various keyword match types to achieve the lowest possible CPA. In this case study, we will explain how Strategic Segmentation creates the optimized and organized AdWords accounts that effectively maximize conversions while lowering CPA (the key metric that will save you valuable ad dollars and maximize your budget).

Audit & Diagnosis

To discover and understand why exactly SkinPerfect was losing money on every order, we conducted an audit of their existing AdWords account. It was immediately apparent that their account was built on a weak foundation of poorly segmented ad groups with irrelevant keywords. SkinPerfect was getting traffic for search queries that were not relevant to their products because of Broad Match and Phrase Match. For example, SkinPerfect sells two products that contain salicylic acid:

Salicylic Acid Soap

- Designed to treat acne
- Unclogs pores to prevent blemishes
- Low acid concentration

Salicylic Acid Peel

- Designed to reduce oil and exfoliate
- "Peels" off outer layer of skin
- High acid concentration

Clearly, it's important that these two products never be confused – you'll pay not only in lost conversions and higher CPA, you'll also lose potential customers due to lost credibility and a bruised reputation. In this case, both products were in the same ad group and shared the same landing page. To further complicate matters, all of SkinPerfect's AdWords ads used Dynamic Keyword Insertion headlines in attempts to improve click-through rates. Dynamic Keyword Insertion replaces a default headline title with keywords of the search query entered by the user.

So what exactly does this all mean? Let's say you're browsing the web searching for "Salicylic Soap" to treat acne. After searching in Google, you see SkinPerfect's ad with a headline that reads "Salicylic Soap," but since they were using Dynamic Keyword Insertion, it's actually an ad for a "Salicylic Peel." You're then taken to a website that sells Salicylic Acid Peels, immediately get confused and frustrated, and leave the site in search of the product for which you were actually looking.

For SkinPerfect, this caused an increase in bounce rate and an inflated CPA due to a decreased conversion rate. In the next section, we'll explain how we used Strategic Segmentation to restructure SkinPerfect's AdWords account for success.

Other Examples of Irrelevancy Due to Keyword Match Type

Example A – Worldwide Moving Co.

| | |
|---|---|
| Keyword/Key Phrase (Broad Match): long distance moving companies | Ad Appears to Users Searching For: long distance phone companies |
|---|---|

Explanation: By using Broad Keyword Match Type, a user searching for "long distance phone companies," is shown an ad for "long distance moving companies."

Problem: Naturally, any clicks the ads generated for people looking for long distance phone companies were wasted. This creates unnecessary ad spend and results in no conversions.

Example B – Travel Deals "R" Us

| | |
|--|--|
| Keyword/Key Phrase (Broad Match): cheap Cancun hotels | Ad Appears to Users Searching For: cheap hotels |
|--|--|

Explanation: This company was targeting users searching for "cheap Cancun hotels" and was picking up generic/irrelevant traffic because this keyword phrase was in the Broad Match Type and Google showed their ads for "cheap hotels."

Problem: This will decrease conversion rates because the visitor might not be looking for cheap hotels in Cancun.

Example C – CruiseTraveler

Keyword/Key Phrase (Phrase Match): Mexico cruise
Ad Appears to Users Searching For: Mexico cruise fire

Explanation: Due to current events, a cruise company with the Phrase Match Type keyword “Mexico cruise,” started getting traffic for the very irrelevant keyword “Mexico cruise fire.”

Problem: The user was likely searching for news, not a cruise (especially not to Mexico at the time, given the nature of their query), therefore lowering the conversion rate.

Solution

Following our audit and problem diagnosis, we articulated a multi-step solution for SkinPerfect. Initially, they were losing \$20 in ad spend for each order placed. Our first priority was to stop the bleeding and improve their CPA by removing ad spend on irrelevant search traffic while simultaneously increasing the number of relevant clicks and conversions. Here’s how we did it:

1. Strategic Segmentation

Implementing our Strategic Segmentation best practice, the first order of business was to get a clearer view of the account by segmenting campaigns and ad groups by Match Type. Again, since AdWords’ algorithm operates by constantly running A/B tests between all Match Types, it is incorrect (and dangerous) to assume that Google will automatically use the correct match type simply because you have keywords in each Match Type.

Properly segmenting campaigns and ad groups by Match Type allowed us to optimize their cost per acquisition. This gave us a much more accurate view of the actual CPA for each keyword and Match Type. It also considerably simplified account optimization and performance tuning. Once the ad groups and campaigns were Strategically Segmented, we were in a better position to begin optimizing each individual segment to achieve SkinPerfect’s target CPA.

The second part of this process was fairly simple. We copied the entire Exact Match keyword list and applied it as an Exact Match Negative list in the Phrase Match and BMM ad groups. By placing Exact Negatives in the Phrase and Broad Match keyword groups, it ensured that Exact Match keywords were displayed only for exact search queries.

Conversion Reports in AdWords Will Not Show Accurate Match Type Performance

You can't improve or fine-tune any strategy without accurate information about the performance of your current efforts. That is why it is extremely valuable to be able to see accurate conversion data within your Search Query Reports.

Broad Match and Phrase Match keywords will steal impressions, clicks and conversions from Exact Match keywords. You will see fewer conversions from your Exact Match keywords than you actually received because, more than likely, your Broad and Phrase Match keywords created conversions for keywords already defined as Exact Match. This will also overinflate conversions for Broad Match and Phrase Match, causing the CPA on Broad Match and Phrase Match keywords to seem better than it actually is.

You will see these deceptive conversion numbers when you run a Search Query Report on your Broad Match and Phrase Match keywords. Here, you will see Exact Match keywords labeled as "Added". This means that the Exact Match keyword is present in the account, but Google's testing algorithm decided to use your Broad Match keyword instead. To prevent this from happening and significantly improve the accuracy of your Search Query Reports, you will need to add the Exact Match keywords as Negative Keywords in ad groups containing both Phrase Match and Broad Match keywords.

Once you have applied Exact Match Negative Keywords, you will receive an error message from Google warning you that your keyword is not eligible to run because of a negative keyword. This error message DOES NOT account for this type of account setup and segmentation.

2. Drive Relevant Traffic

Our next step was to correctly route traffic by optimizing SkinPerfect's ad groups, forcing Google to display ads from ad groups containing the most relevant, closely related search term. The dangerous assumption held by most PPC account managers here is that Google will automatically display ads from the highly targeted ad groups they create. The reality is that the more general ad groups will hijack traffic from the targeted ad groups if their ads or keywords have higher quality scores or bids.

Example: After Strategically Segmenting Skin Perfect’s ad groups, we had a “skin peel” ad group and a “salicylic skin peel” ad group. To ensure the “skin peel” ad group did not receive impressions for the more specific “salicylic skin peel” group, we added “salicylic” as a Phrase Negative keyword in the “skin peel” ad group.

This improves click-through and conversion rates by ensuring that the user finds exactly what they were searching for. If someone is searching for a salicylic skin peel, they will now see the right ad and will land on a page selling salicylic skin peels, greatly increasing the likelihood that he or she will click and convert.

Not only does placing descriptive Negative Keywords correctly route traffic and significantly improve conversion and bounce rates, it also allows us to use the broader keywords to find additional keyword opportunities.

3. Convert all Broad Match keywords to Broad Match Modifier

Broad Match keywords typically have the lowest conversion rates and are the least relevant. The more keywords (3 or more) contained in a Broad Match keyword phrase, the more likely it is that your ads can be displayed for irrelevant search queries. By using Broad Match Modifier (BMM), when a user enters a search query, you are requiring that ALL keywords be present from your keyword phrase. This allows us to eliminate ad impressions for irrelevant queries.

Using Example A from above for Worldwide Moving Co., we would convert the Broad Match keyword, “long distance moving companies,” to a Modified Broad Match keyword, “+long +distance +moving +companies.” This would prevent Google from showing ads to people searching for “long distance phone companies.”

Broad Match Modifier Keyword Tool

Converting Broad Match Keywords to BMM keywords can be an exhaustive undertaking, especially if you’re dealing with a large account. Luckily, Acquisio offers a Broad Match Modifier keyword tool that helps make the process easier.

Results

A common misconception shared by the majority of PPC managers is that Broad Match keywords have the lowest CPC. However, when you structure your account by Match Type using Strategic Segmentation, Exact Match keywords will yield the lowest CPCs almost 100% of the time.

For SkinPerfect, the greatest benefit of this segmentation was the ability to not only hit their target CPA goal of \$30, but ultimately reach an average CPA of \$27.85 from Exact Match keywords. Another noteworthy advantage of implementing Strategic Segmentation was the ability to see that Exact Match keywords yielded **75% of conversions** with a **CPA 60% lower** than other match types.

| Match Type | % of Cost | % of Conversions | Avg CPA | Avg CPC |
|------------|-----------|------------------|---------|---------|
| BMM | 17.39% | 8% | \$78.57 | \$1.08 |
| Phrase | 27.98% | 17% | \$64.18 | \$1.12 |
| Exact | 54.63% | 75% | \$27.85 | \$0.94 |

Note: Thousands of Negative Keywords were added to Phrase Match and Broad Match campaigns and ad groups to filter out irrelevant traffic. We added Negative Keywords for products our clients didn't offer as well as research phrases like "How to" and "Directions." Even with these additions, BMM and Phrase campaigns and ad groups performed poorly in comparison to Exact Match.

Conclusion

After analyzing our results and finding that 75% of conversions were produced by Exact Match campaigns at a CPA of \$28 – 60% lower than the average – we recommended that SkinPerfect pause both Phrase Match and BMM campaigns. Pausing these match types seem quite unorthodox to many PPC managers, we believe the results speak for themselves.

Strategic Segmentation can be implemented into any Google AdWords or Bing Ads account for businesses in any industry. New to PPC advertising and want to build a solid foundation to guarantee success? Need expert help with an account overhaul? Let the team at PPC Professionals create campaigns guaranteed to get you the qualified traffic you need at the lowest Cost Per Acquisition, call today at 954-713-9688 for a free PPC Audit.