How to double conversions of a market leader's campaign

Vola.ro

"Change of attribution model and automatic biding was a game changer for our SEM campaigns. Profit-driven optimization and scenario analysis helped us to achieve business goals, even beyond our expectations"

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It is easy to achieve spectacular growth if you are a startup or operate in a fast-growing niche. Increasing sales is not difficult if your advertising budgets are very high and you can sacrifice your profitability. However, if you are a leader in a highly competitive mass market and have to increase not only your revenue but also profits, you face a real challenge.

To significantly increase sales volume within a strict ROI regime, Vola had to re-invent their performance marketing strategy, and dive deeply into the entire user journey, traffic value, and conversion attribution as well as reach for non-standard solutions.

Attribution modeling

Conversion path analysis has shown the necessity of optimization beyond the last-click or any other standard attribution models. Numerous experiments, including data-driven models and using Markov chains methodology, have finally led to a custom attribution model. This model significantly increased value assigned to conversion driving touchpoints, which allowed higher bidding and the acquisition of significantly more traffic and transactions.

Business data accuracy

Precise bid management required improvements in conversion tracking and the calculation of the exact profitability of each transaction. The booking value reported during online conversion is now calculated using detailed booking values and an expected book/sale ratio. It is then modified by data import using API where the estimated conversion values are seamlessly replaced by real sales data.

Impact of price optimization on campaign efficiency

Usually, pricing policy is managed independently from advertising campaigns. Our analysis has shown that non-optimal pricing may be a barrier to the profitable expansion of advertising. Pricing and discount policy experiments helped to maximize click value, which made it possible to achieve the highest efficiency of the advertising.

Profitability analysis and scenario simulation

Google Ads bid simulator data and internally developed mathematic models helped to build and understand bidding scenarios and identify the level of ad spend that allows both required profitability and satisfactory business growth.

Automated bidding and machine learning

Portfolio bidding strategy, which maximizes total conversion volume within ROI target, sometimes required counter-intuitive modifications of individual bids and ROI targets. In order to enforce the ROI bidding strategy on a large portfolio of keywords using non-standard attribution models and data import, Vola employed Search Ads 360 in Google Marketing Platform.

Beyond search

Change of attribution model attributed more value not only to as yet undervalued keywords, but together with marginal analysis also helped to include in performance marketing strategy more sources beyond search engines. It justified the use of display networks, YouTube and Facebook not only for the last-click efficient remarketing but also for prospecting campaigns – mainly thanks to more accurate and credible attribution of post-view conversions.
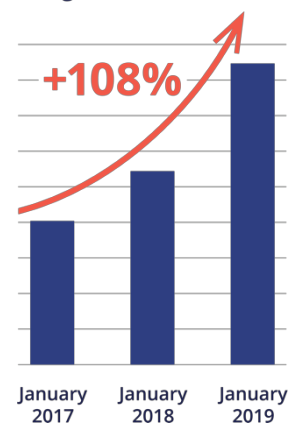
Outcome

The revenue and volume of Google Ads transactions grew by 83% in 2018 over 2017. The campaigns remained profitable and the total margin grew by 39%.

The number of transactions generated by Google Ads now is more than two times higher than two years ago.

Google Ads Transactions

+108%

January 2017 | January 2018 | January 2019

Revenue
+83%
2018
2017

Visits
+68%
2018
2017

Profit
+39%
2018
2017

Vola campaign: Concepts behind the scenes

Attribution

In 2019, saying that last click attribution isn't optimal, sounds like a cliché. However, the other popular attribution models also have their limitations and lack flexibility. Even the custom models require often arbitrary decisions regarding the importance of traffic sources on the conversion path and weights assigned to particular interactions (clicks, impressions or video views). Algorithmic models such as data-driven model or Markov chain analysis, sometimes lead to wrong conclusions, if you blindly believe in results of calculations, because they interpret correlations of interactions as causation.

Conversion lift experiments, so far possible only in case of remarketing, became recently available in YouTube and Facebook ads. Conversion lift makes it possible to measure the likelihood that a user will convert without being exposed to an ad vs. users who saw ads. This allows measuring the actual incremental effectiveness of the campaign.
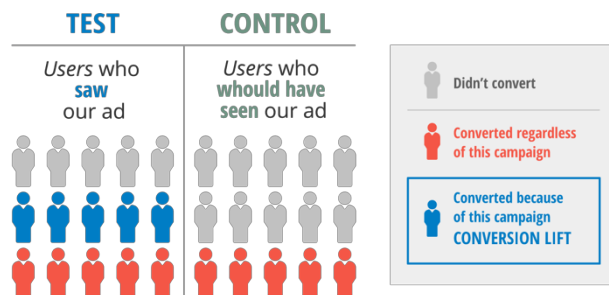
Conversion lift methodology. Users are divided into two groups. Only users from the test group are exposed to the ad.

Our approach included

- Removal of non-touchpoint interactions such as brand search terms clicks, direct traffic, and equivalents
- Last click attribution for single interaction paths
- Conversion lift experiments for remarketing and other ads if possible
- Algorithmic models for the remaining sources
- A separate analysis of new and returning customer conversion paths
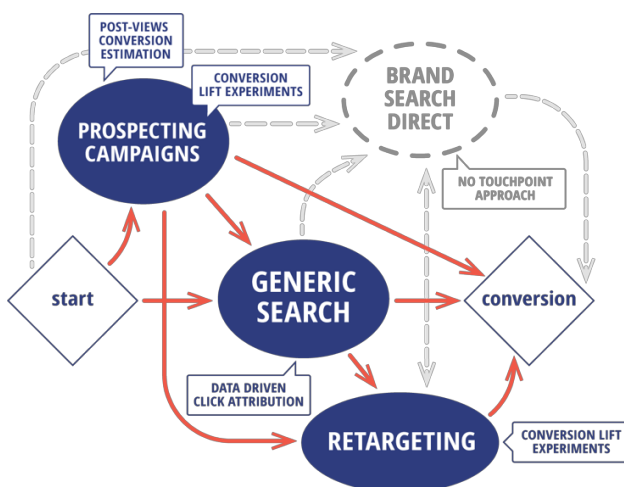
Concept of the user journey graph and different data used to attribute conversions.

Profit-driven strategies, portfolio bidding, and price optimisation

Advertisers, who want to buy more clicks, place higher bids in order to outbid their competitors. As a result, the CPC grows until advertisers realize they are paying too much. This very often happens when the bill for PPC clicks is higher than the total sales margin. In fact, overinvestment occurs much earlier, even before the company produces losses when total profit starts to decrease. The target, where the total margin is highest, can be identified by analysis of marginal conversion cost and CPC/CPM elasticity.
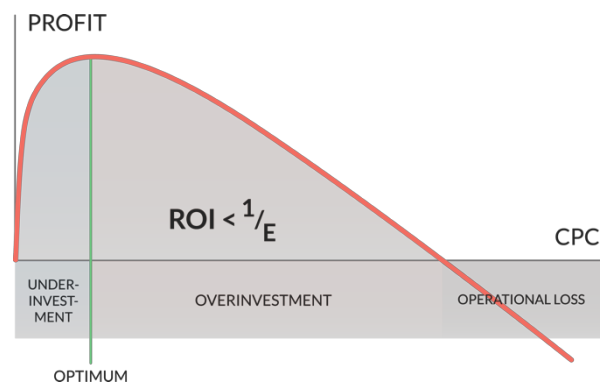
If the campaign expands and sales volume grows, the profit also grows as long as the reciprocal of CPC elasticity (1/E) is smaller than current ROI. See also our article: https://goo.gl/X2atFn.

The consequence of marginal conversion cost analysis is portfolio bidding. Instead of using one ROI target for all campaigns, their target ROI is adjusted depending on elasticity in order to improve the performance of the entire portfolio of campaigns. The outcome is sometimes counterintuitive. Investment in the source with lower ROI may be more profitable than increasing the budget of best performing campaigns.

For example, the SEM campaign may have a total ROI of 120%, but if we want to acquire more clicks, the marginal ROI is only 10%. Therefore, instead of rising SEM bids, it's more profitable to invest in YouTube ads with 30% ROI. See also our article: https://goo.gl/L1R2HL.

The same mechanism applies to e-commerce economics. If the product price decreases, the conversion rate usually grows. However, at a certain point, the loss of margin can't be compensated by higher sales volume and the total margin decreases, despite growing revenue. The sweet spot of product price maximizes click value. Its optimization can be crucial for the possibility of profitable marketing expansion. Read more in our article: http://goo.gl/R2k8Gk.

Combination of advanced attribution modelling, marginal ROI analysis, portfolio bidding, and price optimization were one of the key success factors of this campaign.