

Evolve Digital Labs
saves a Telecom
service company more
than \$100,000 in its
PPC campaigns

SIX-FIGURE

PAID SEARCH SAVINGS

A Guide for
Affiliate Management

Overview

Most agree that when implemented and managed successfully, Affiliate Marketing programs are an effective and profitable means of expanding a business's online marketing efforts. However, Affiliate Marketing programs have the potential to negatively affect your in-house marketing efforts, specifically pertaining to a business's owned brand terms.

Affording permission to affiliates to bid on trademarked brand terms through Paid Search can allow your business to maintain top position saturation and prevent competitors from serving above your organic listings. But with this approach comes potentially detrimental effects on your in-house Paid Search performance, specifically the resulting increase in the average cost-per-click on your business's brand terms. This increase can be very problematic, due primarily to the ensuing decrease in profitability and increase in cost-per-transaction. Regardless of how minimal the increase of your average CPC may be, when evaluated over an extended time period, the effects can be quite drastic.

Due to high conversion rates and low CPC levels on brand terms, affiliates aggressively approach presence and positioning on brand terms. Although not the standard, affiliates frequently utilize "black hat" tactics to garner the largest share of brand term traffic possible. Several of these tactics include:

URL Hijacking

Both Google and Bing/Yahoo will only allow one ad to serve within the SERPs for a single domain. By utilizing the same domain name within the ad display URL and applying max bids in excess of yours, affiliates can bounce you from the SERPs and take over the top results.

False Messaging

Many businesses utilize Paid Search as a means of displaying promotional or competitive pricing/services. Although the offer does not differ, stating falsified offers or pricing within the ad copy is intended to entice customers to select their ad over your businesses.

Geo-exclusion bidding

Blocking the physical location of your business within Paid Search and aggressively competing with your owned Paid Search campaigns.

Day-parting positioning

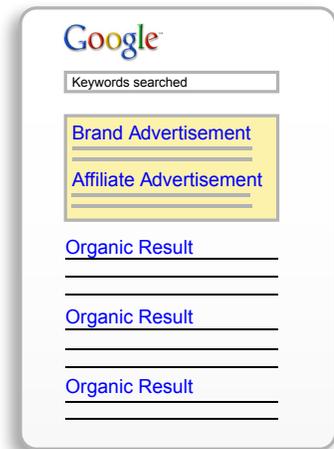
Businesses operate during the day, which affords the ability to monitor affiliate positioning within the SERPs. During non-business hours, when monitoring is at a minimum, max bids are either manually or automatically increased to garner top positioning above your official listings.

1. Brand Term Conundrum

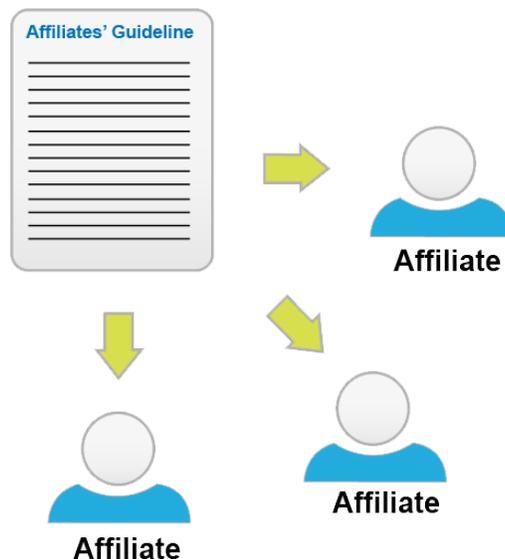
Recently, as the agency of record for a national Telecom service company, Evolve Digital Labs designed and implemented a test with our client's established affiliate partners to quantify the effects of affiliate competition on brand terms.

- a. How does affiliates' aggressive brand term bidding affect the merchant's owned brand terms?
- b. Does a point exist in which reducing affiliate bids has an overall detrimental effect on sales generation?

The test was designed and executed as a phased implementation of bid reduction on all brand terms within affiliate campaigns over a 4 week period. Each week, affiliates were required to reduce their current bids by 25%, resulting in an estimated 68.5% total bid reduction.



Affiliates competing for top positions in the SERPs is no bueno.



2. Internal/External Alignment

Many will argue that permitting affiliates to bid as aggressively as needed to maintain positioning below a business's official listings to lock out competitors is a "win-win." Repeating messaging and top positioning sounds like a perfect approach, right? In theory, this ideology is correct; however, additional affects must be considered.

- a. What affect does this have on CPC levels for your brand terms?
- b. How much is your brand losing to affiliates in commission sales costs?
- c. How likely is a competitor to steal a sale when a customer is already searching your brand terms?

If a user is searching for your brand specifically, he has clearly heard of your company and is eager to learn more – and will possibly take action. In fact, these users are closest to completing the sales funnel because they know what they want and even have a specific brand in mind: yours. What they're trying to find out, then, is whether your brand can provide a solution.

We were able to convey to the client that taking control of the affiliates' spending on branded terms would help them win in several ways:

1. The client was able to spend less on branded terms, reserving media funds for non-branded search.
2. The client paid fewer commissions to affiliates, as their presence was decreased.

Even if you rank organically, bidding on your own terms grants you more exposure in the SERPs.

Not being present in the Paid Search positions can cause a competitor to steal your business.

3. The Proof is in the Savings

The test began showing results immediately following implementation of the first round of bid reductions, and the results continued to show measurable cost reductions throughout the test duration.

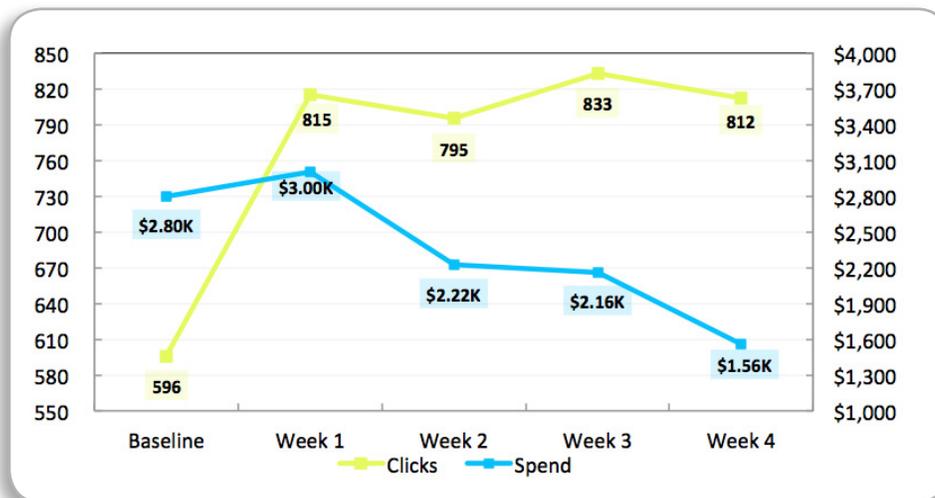
Week 1: Avg. CPC decreased \$1.01/click
(21.6% decrease)

Week 2: Avg. CPC decreased \$0.89/click
(24.2% decrease)

Week 3: Avg. CPC decreased \$0.20/click
(7.1% decrease)

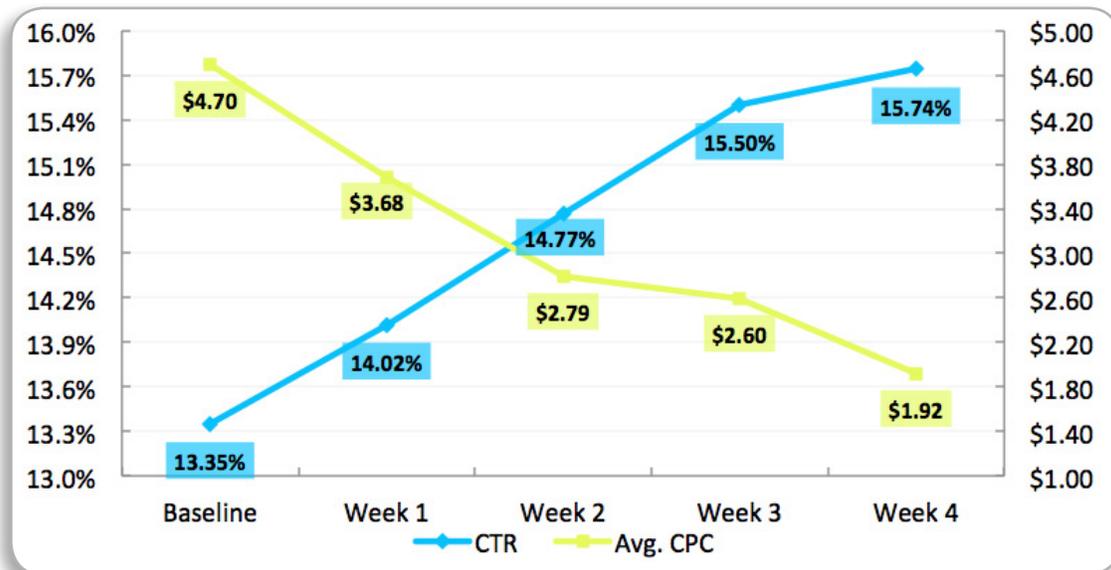
Week 4: Avg. CPC decreased \$0.68/click
(26.0% decrease)

Increase in clicks, decrease in spend



3. The Proof is in the Savings (cont'd)

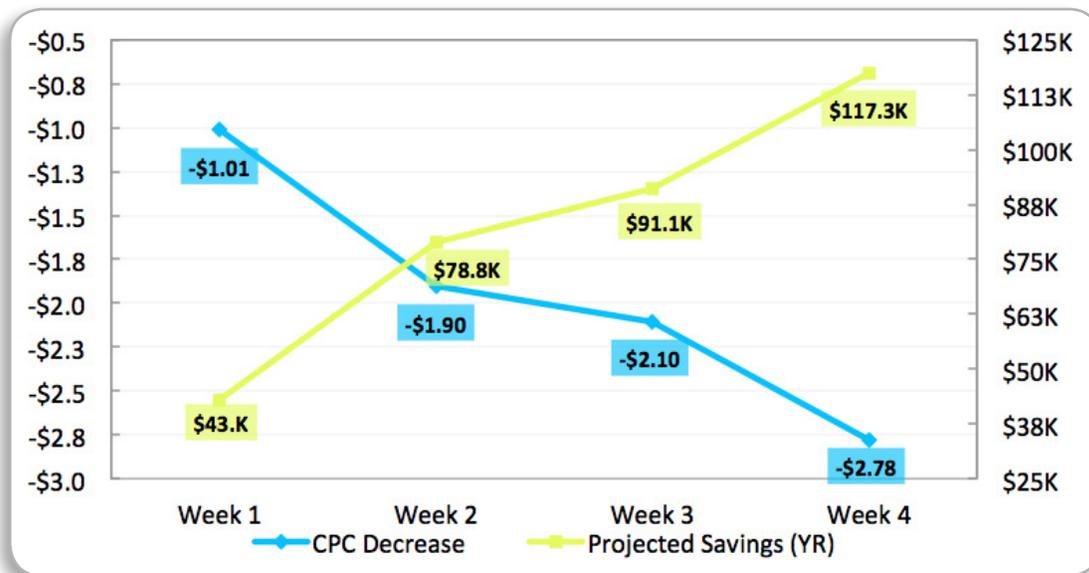
Overall, from the pre-test baseline of \$4.70/click, the brand term Avg. CPC decreased \$2.78 to \$1.92, a 59.1% decrease. Additionally, during the test period, click volume on brand terms increased by 36.2%. Although the click volume increased, the brand terms actually spent less each week due to the overall reduction in the avg. CPC.



The results clearly debunk the accepted belief that positioning affiliates below your official listings protects your brand from competitors “stealing” traffic on your brand terms. On average, the affiliate keyword positioning decreased 1.3 – 2.2 positions from their baseline position of 2.2. Although this position change did permit competitors to improve their positioning, no decrease in in-bound traffic on owned brand terms was recorded. The large click volume increase (+ 36.5% average) on official listings both offset and exceeded the decrease in affiliate traffic.

Six-Figure Paid Search Savings

3. The Proof is in the Savings (cont'd)



As you can see above, the results of the brand term bid reduction test are crystal clear. By reducing the affiliate max bids on brand terms, the overall cost-per-click required to maintain 1st position decreased drastically.

With this test, Evolve Digital Labs, as the agency of record for a national Telecom company, succeeded in increasing official listing click volume 36.6%, while reducing click costs by 59.1%. All things considered, the projected annual cost savings for our client exceed \$115,000 on brand term click cost alone. With the decrease in affiliate traffic, consider the additional savings on sales commissions!

Our client was able to lower costs in branded PPC - and the savings will continue with the decrease in commissions!

Six-Figure Paid Search Savings

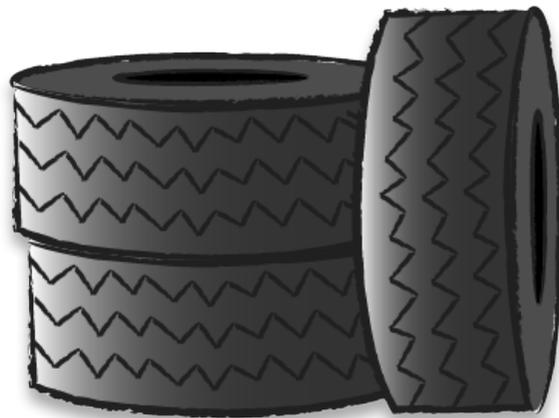
4. Other Applications

The methodology and reality of this test is not industry or client-specific. If you are currently engaged with an affiliate network and are allowing affiliates to bid on your brand terms, the savings achieved in this test can be yours as well.

Although this test focused on bid reduction on brand terms, the methodology has endless applications. Many businesses market products or services whose naming conventions are branded and well known, and therefore will also be a target for aggressive affiliate positioning.

Example:

Let's use the automotive tire industry as an example – specifically Michelin tires. Michelin currently offers multiple categories of tires, and within each category each style of tire has distinct, well-known naming conventions. Affiliates are likely to approach positioning on those naming conventions, both with and without 'Michelin' as a qualifier, with similar gusto as the root brand name. Consider the savings if Michelin Tires implemented the same test to (1) their root brand terms and (2) individual product terms!



Six-Figure Paid Search Savings

But wait, there's more!

We at Evolve Digital Labs approach our clients' search marketing campaigns strategically. Our only obligation is to our clients – to provide and implement recommendations and strategies that will improve their performance and profitability.

We know, it's crazy – right?

Contact Evolve Digital Labs today
and experience what sets our team apart
from a traditional online marketing agency!

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