teikametrics

The Definitive Guide to Amazon Advertising

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Foreword

70% of Amazon shoppers never click past the first page of search results.

So, if your brand is not on the first page, you're not going to be discovered by shoppers. And the first page of search results is increasingly driven by advertising and not organic listings. Our data suggests that more than **40%** of sales are preceded by a click from an advertisement.

Sponsored advertising is now table stakes if you want to sell on Amazon.

Our mission at Teikametrics is to drive growth for our customers on their most valuable marketplaces. This means that Amazon is obviously a critical channel that we are helping sellers and brands to navigate.

That's why we created this ebook, to teach you what you need to know about advertising on Amazon, so you can scale your business and achieve more profit.

Here's to growing your Amazon business!

Liz Downing
Sr Manager Partnerships and Events
Teikametrics

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What Is Amazon Advertising?

Amazon's own advertising platform offers different ad types to capture shopper attention at every stage of the buying journey for an Amazon shopper.

In last year's guide, we said that Amazon was the third-largest digital advertiser, falling behind the duopoly of Google and (now), Meta. Now, in 2023, the tide is turning, and, according to each company's earnings updates, it seems that Amazon is on the rise. Digiday opines that Amazon's 23% ad revenue increase is because of *"Amazon's ability to supply advertisers with the most up-to-date intent signals possible."*

That's why you need this guide — to understand and better utilize the complex systems within the fastest growing online marketplace.. If you want to succeed in ecommerce, you must master Amazon Advertising.

How Amazon advertising works

Amazon works on the A9 algorithm, which determines how products are ranked in their search results. Just like Google, Amazon's algorithm factors the user's search term into deciding relevant search results. When you search for "sparkly purple widgets," Amazon uses keywords associated with the product to return listings that closely match the user's search.
In addition to keyword relevancy, Amazon emphasizes sales conversions that result from a search. So listings with a high conversion rate (number of orders divided by number of clicks) and good sales history tend to rank higher. Products that rank higher get more traffic, which can result in better sales, which, in turn, boosts the ranking. And so on.

Optimized product listings leverage this algorithmic tendency by using keywords effectively and offering relevant information. They contain compelling images and are much more shopper-friendly. You learn more about designing product listings in the section on listing optimization a little later in this ebook.

Advertising campaigns on Amazon boost the chances that your products will match with a shopper's search query. While an optimized listing, good sales history, and positive reviews help you rank organically, advertising campaigns will help your listings appear more prominently in sponsored placements. The more times potential buyers see your products, the more opportunity there is for them to convert.

Before we embark on an examination of every Amazon ad type, let's take a look at the sales funnel.

02

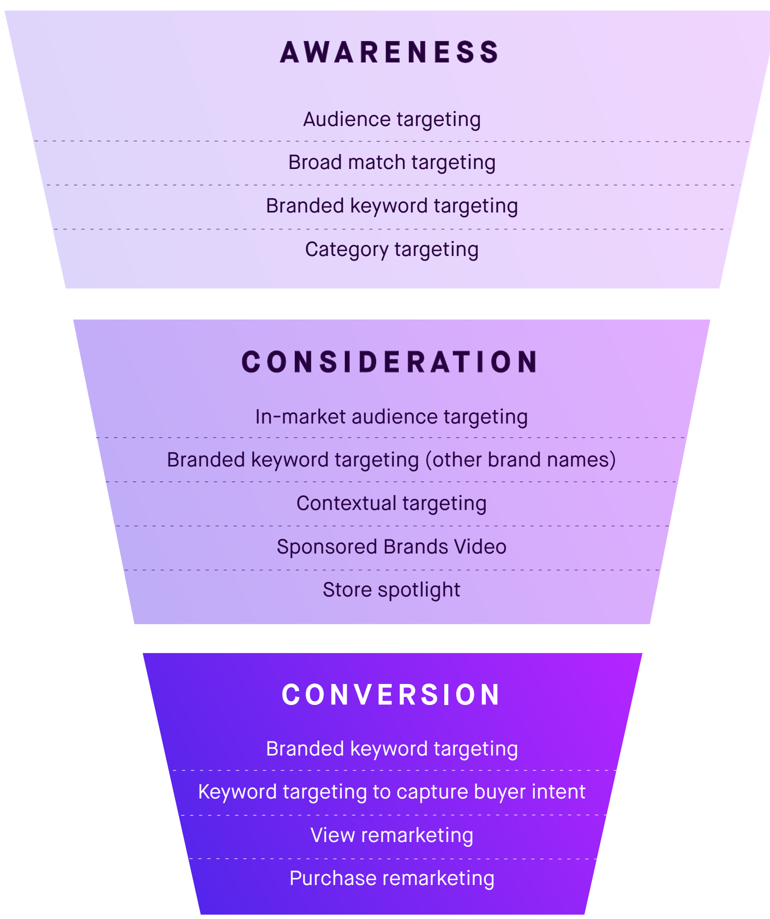
What’s a Sales Funnel and Why Does It Matter?

Think of the Amazon sales funnel as an upside-down triangle that is split into ***three parts***. Each part is a different stage of the customer's journey on Amazon.

The top of the funnel, the widest part, is Awareness. This is where you build awareness and interest in your brand and products.

Next, in the middle, you'll find the Consideration stage. Here, a shopper might be looking at a range of similar products. By showing your ads, you have a chance to lure a buyer away from a competitor's listing and into your own.

Finally, we come to the bottom of the funnel, where a shopper converts and clicks on your listing. This phase, called Conversion, also includes past customers who might be shopping for something new. New or returning, this phase of the funnel captures buyers with an intent to purchase.



At Teikametrics, *we recommend a full-funnel advertising strategy. It's the best way to meet potential customers where they are, and to grow your brand on Amazon.*

Your Amazon ads are an important part of your success strategy. Let's take a moment to discuss retail readiness, which is an important component of a successful advertising campaign.

03

How Can I Make My Business Retail Ready?

Prior to advertising on Amazon, your products and your brands need to be retail-ready. This means you have to dot every I and cross every T in regard to your listings, your store, and your presence on Amazon.

How to Write a Successful Product Listing

Follow ***these guidelines*** for a great product listing on Amazon:

- Product titles are between **50** and **100** characters and contain the most relevant keywords (but are not keyword stuffed)
- Product title contains the brand name (as long as the seller is the brand registered brand owner or has permission to use the brand name)
- Product title includes color, size, material, quantity (unless there are child ASINs)
- Product detail page has at least 5 bullet points that are no more than 500 characters each
- Product description is well written, and includes:
    - How to use
    - Major features
    - Warranty information
    - Model number
    - Assembly instructions
- Primary images are clear and on a plain white background
- Leverage A+ Content
    - Amazon says that A+ Content can increase a product's overall sales by up to 10% on average

*Think about your own shopping experience. When you see bad photos or read poorly-worded listings, you think twice about clicking **"Add to Cart,"** don't you?*

Also see..

Three Amazon Product Listing Mistakes That Kill Ad Performance

Amazon Product Listings Having a well-baked advertising strategy on Amazon can do wonders for driving...

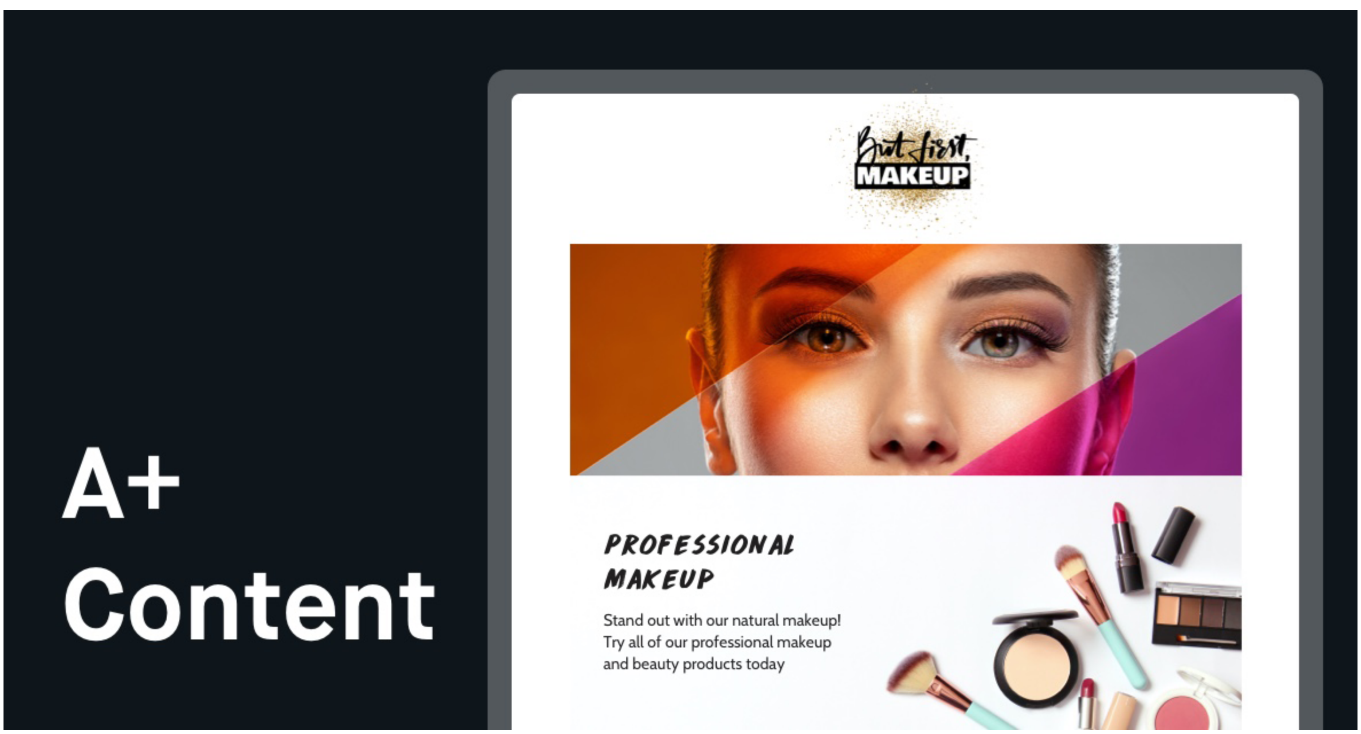
CJ Haugen
Senior Ecommerce Analyst, Teikametrics

But what is A+ Content?

A+ Content is a premium content feature provided by Amazon that allows brands to add enhanced images, videos, FAQs, comparison charts, and more to help buyers make more informed decisions about their purchases.

Using different content modules, you can tell the story of your brand and its products in a very compelling and eye-catching way. You can make your listings easy to understand, easy to scan, and visually pleasing. A+ Content helps bring your products to the forefront while protecting your brand against counterfeit sellers and unauthorized sellers of your products.

Account health and positive reviews factor into your level of retail readiness and your potential success on Amazon. We cover that in a lot of our blog posts and webinar content, so let's move into the types of Amazon ads, and how you can leverage them at different stages of the sales funnel to achieve that Flywheel effect that we (and Amazon) talk about so much.



How Does Amazon Keyword Bidding Work?

Every time a shopper searches for something on Amazon, a real-time auction takes place for an ad to win the spot of that search. The exact placement of a Sponsored Products ad depends on where your bid lands among other bids in the auction for the same keywords or those targeting the same product detail pages.

It's important to understand that Amazon Sponsored Products ads are purchased in a ***second-price auction****. If you have a winning bid for a given placement, you pay one penny higher than the next highest bid, which may be less than your actual bid amount.*

For example, if you bid **$1** for the keyword "wooden yo-yo" and a competitor bid **$1.50** for that same keyword, the competitor would win the auction for that placement on the search page. But, they would only pay **$1.01** every time their ad gets clicked. Make sense?

Because your ad will only show up if you win the spot in the auction, selecting the right bid is paramount. At Teikametrics, we always recommend setting your default bid at the keyword level (rather than at the ad-group level). This allows you to factor in the true value of a given click more accurately and granularly by taking into consideration the product's margins, conversion rates on a given keyword, and overall volume generated by that keyword.

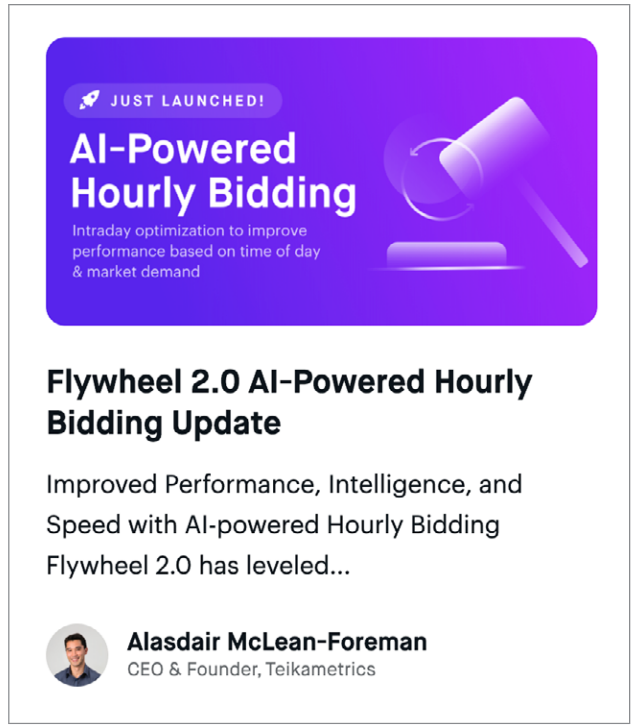
While this bidding strategy helps promote efficient growth, it requires constant adjustments based on market dynamics and data.

For example, a keyword may perform terrifically for a solid month, with steady conversion rates at higher volumes. However, if a trend develops with fewer people buying your product after clicking on an ad, your conversion rate goes down. You need to adjust your bid to reflect the now lower likelihood of a sale. Otherwise, you could end up spending more on ads that you make selling your products! Your bids need to change based on shifts in key, revenue-related metrics like conversion rate or conversion volume.

Calculating and making these adjustments manually may be doable for small sellers just getting started, but once you grow on Amazon, it quickly becomes untenable. Having bidding technology software on hand to help automate this process makes a big difference. And, since Teikametrics Flywheel 2.0 uses Amazon Marketing Stream to offer AI-powered hourly bid changes, more and more sellers are able to immediately improve sales for Amazon Sponsored Products campaigns.

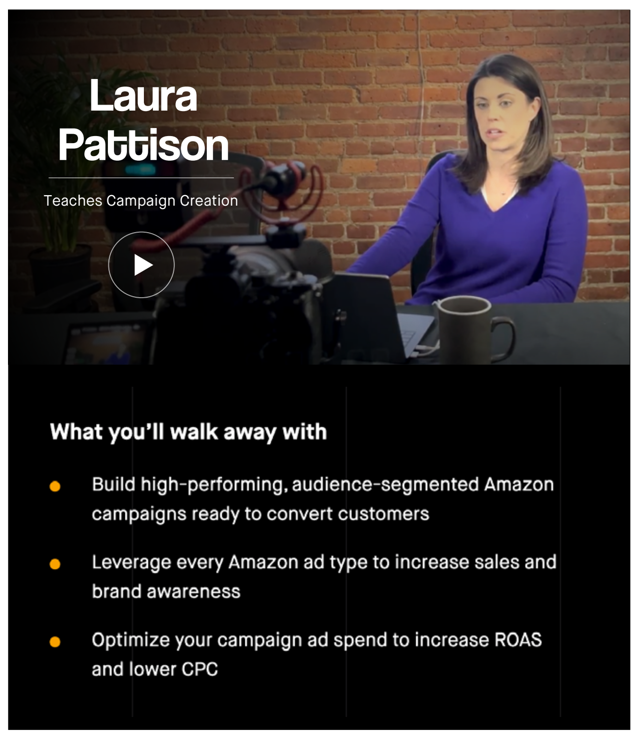
Whenever there is a statistically ***significant data change,*** you should ***adjust your bids accordingly***. If you're running a variety of keyword campaigns across dozens or hundreds of products, these meaningful changes may occur multiple times in a day. Machine learning and automation tools help identify these shifts, every hour on the hour, and subsequently adjust bids in keeping with desired margins or product goals.

Learn about Flywheel 2.0 Hourly Bidding →



Bidding technology helps set guardrails on your Amazon Sponsored Products advertising, but to justify further investments, you need the ability to easily see what's working and what is not. This is where proper campaign structure comes into play.

Watch Laura teach you how to structure your campaigns in our Amazon Advertising Masterclass →



The Campaign

Taking time to ***set up a proper Amazon PPC campaign structure*** enables you to direct your advertising spend where it needs to go and achieve your business goals.

First, let's go over what to avoid. Poorly designed campaigns usually have one or more of these issues:

- They aren't running automatic campaigns
- They aren't running manual campaigns
- Dissimilar products are jumbled together in a catch-all campaign
- The same product is in multiple campaigns without a distinct purpose for each
- There is no distinction between competitor, branded, or generic keywords
- Products with widely variant margins are grouped together
- Products with widely variant goals are grouped together
- Inconsistent naming conventions are used for campaigns and ad groups

To use an example, say products with different goals are grouped together: a product you're just launching and a product you're trying to liquidate. It's difficult to allocate spend differently according to those goals. If these products are grouped together, the incorrect campaign structure for one will lead to either overspending on the late-stage product or missing opportunities on the launching product.

Automatic vs. Manual Campaigns

Sponsored products can be either automatic or manual.

Manual campaigns are built off specific keywords you want to bid on when shoppers enter them as search terms. For example, you might bid on the keyword "purple gloves," meaning your ad could show up if someone searched for "purple gloves for winter" on Amazon. Manual campaigns only match against their keywords.

On the other hand, automatic campaigns don't have keywords. Instead, Amazon's algorithm uses data from your listing (from your title, description, bullets, similar products, etc) to match with search terms.

The benefit of automatic campaigns is that they cast a wide net and will help you identify which keywords are working best for your products. The data you get from your automatic campaign will help you decide which keywords you should move to a dedicated manual campaign.

Let's say your automatic campaign bids on "orange raincoat" and you convert on that term over and over. Now, you have the confidence that "orange raincoat" is worth putting into a manual campaign for a more dedicated investment. You'll want to monitor that campaign over time and make adjustments as needed, but you started off the right way and can dive into a manual campaign with the right data to support that decision.

Manual campaigns are important because they allow for greater control when adding new keywords, selecting keyword match types, and adjusting bids. If managed correctly, they can offer the best return over time.

When keywords start producing more conversions at higher conversion rates, their bids can be increased. Conversely, if they're not converting, the bids can be lowered or the keywords can be paused to make room for another keyword campaign.

***For best results,** don't guess when adding keywords to a manual campaign, even if you THINK you know what search terms shoppers are probably using to find your product. Automatic campaigns allow you to validate your assumptions while minimizing risk before you move forward with a manual campaign on a specific term.*

Now that we've covered the two different campaign types, let's discuss how to structure these campaigns as part of a larger strategy. First, we'll outline a more basic structure, then we'll get into some of the more advanced structure discussions.

Basic Campaign Structure: Mirrored Campaign

If you're still working to establish a brand presence on Amazon and identify your competitors there, a basic or "mirrored" structure is a good option to organize your Sponsored Products campaigns.

A mirrored campaign is also called a **2:1** structure. Two campaigns (one automatic and one manual) run simultaneously for every category/objective or parent ASIN you're advertising.

For corresponding manual and automatic campaigns, you'll want to use the same naming convention, same ad groups, and same SKUs within each ad group to help streamline organization and goals.

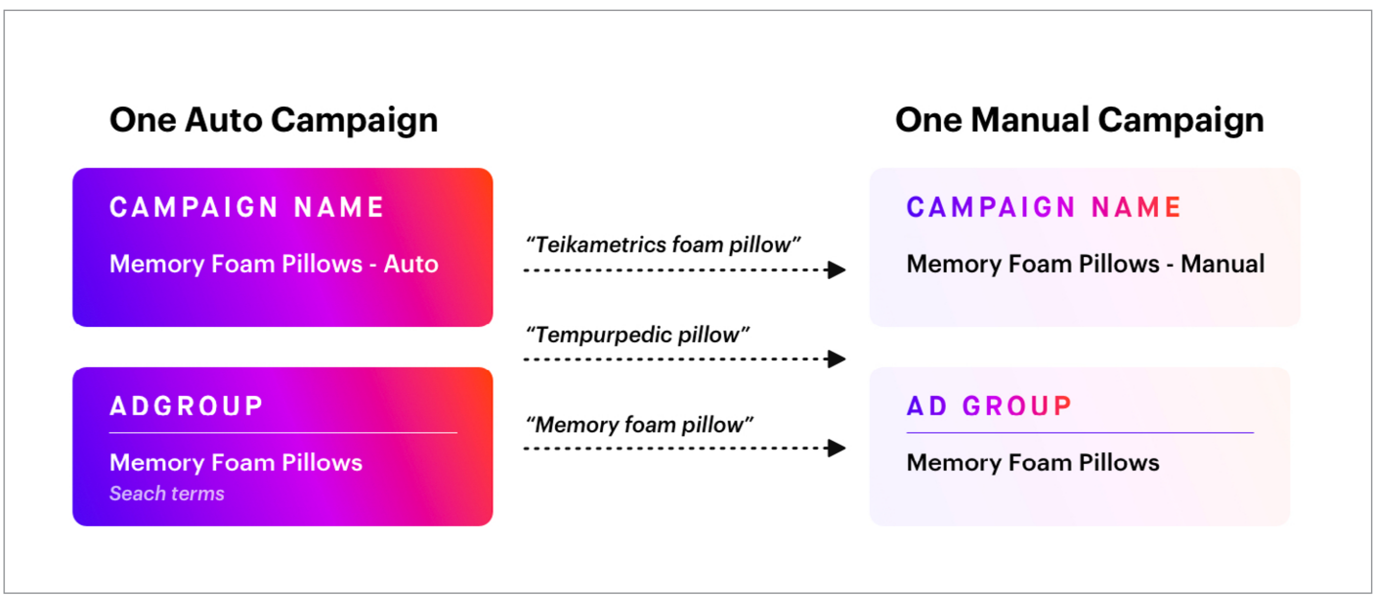
Using a mirrored structure, you can execute against an ***"explore and exploit" strategy:***

EXPLORE

Use the automatic campaign to identify top-performing search terms that have generated multiple orders at an ACoS (advertising cost of sale) that is aligned with the campaign objective.

EXPLOIT

Easily transfer those top converting search terms as new keywords into the identical manual campaign. You then have more control over bidding to better exploit their performance and capture all relevant impressions, clicks, and sales.



Advanced Campaign Structure: Audience-Based Targeting

As you become more seasoned with Amazon Sponsored Products, you can use a more refined audience-based approach to your campaign strategy that will help you find and control other avenues for growth.

Also called a ***4:1 campaign structure,*** *audience-based targeting campaigns break apart campaigns based on different audience types. Using this structure, you have four campaigns for every category, objective, or parent ASIN — specifically three manual campaigns plus one automatic campaign. The manual campaigns are split based on the audience and the type of keywords being targeted:*

BRANDED

A branded campaign targets searches related to your own brand name or trademarks. Dedicating budget to branded campaigns should only be done once your brand is well-established on Amazon and is generating significant search volume. In this situation, it can be beneficial to advertise on your own branded searches because it allows you to occupy digital real estate that could otherwise be occupied by one of your competitors. This strategy helps you defend market share. If you don't bid on branded terms, your competitors can, and they may try to steal potential buyers from you.

However, you will likely want to spend the least on branded terms. Amazon factors relevancy into win rates, meaning you can (within limits) win placements at a lower bid than your competitor. Keep in mind that there is a real risk of cannibalizing organic sales with paid placement on branded searches. Spending less on these terms allows you to allocate more budget to generic searches, where consumers haven't yet decided on a particular brand in their search.

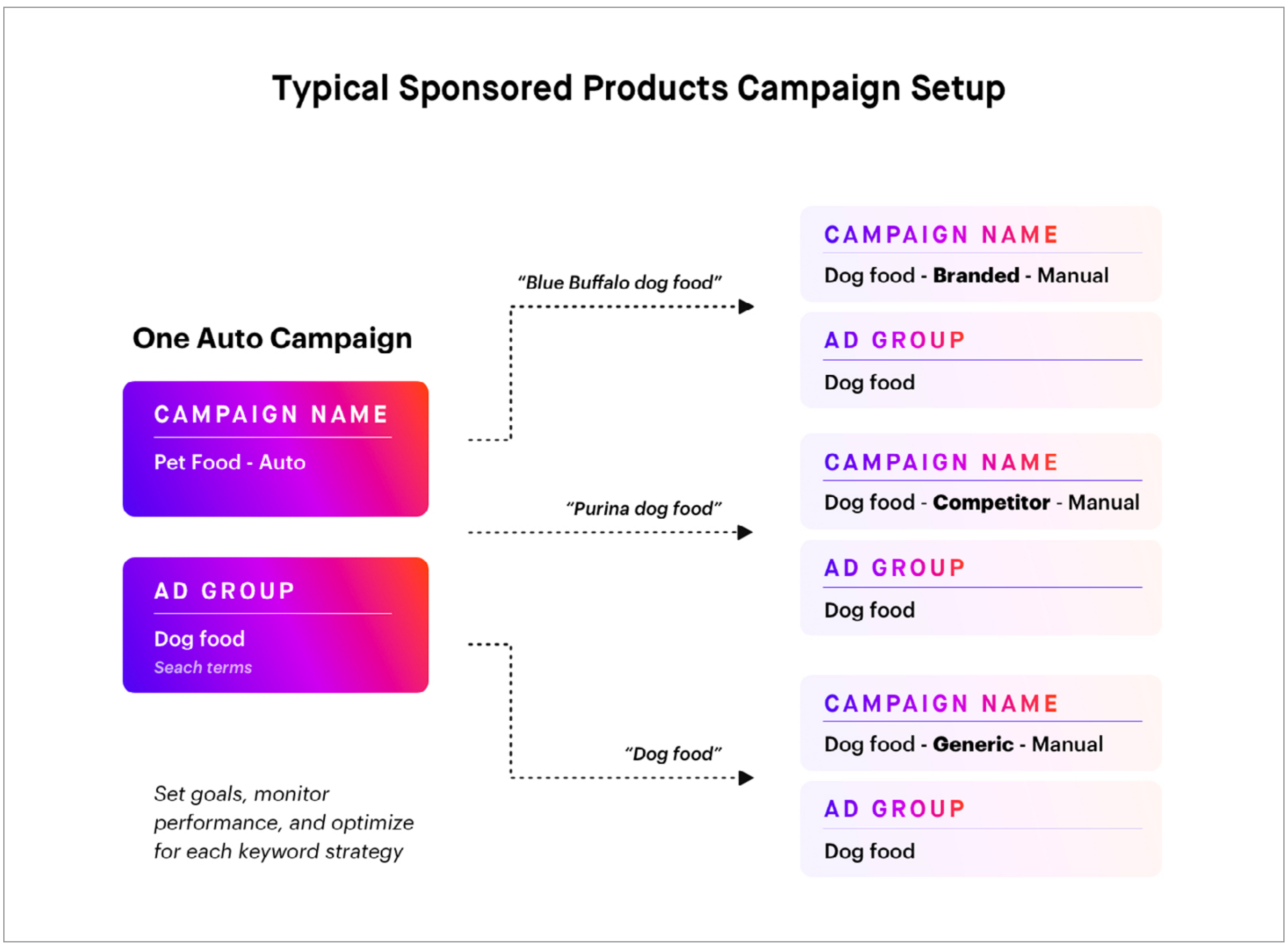
GENERIC

A generic campaign targets category-level terms, which typically have the most search volume and offer the best opportunity to grow your overall sales. Shoppers searching for generic terms are likely to be in the early stages of their purchase journey, so it's much easier to use an ad to convince them to look at your brand. This also means that popular, generic terms in your category are likely to be the most competitive.

Keep in mind that there are different levels of generic terms that vary in risk and spend. For example, a shopper searching for "t-shirts" could be looking for any number of items, whereas a shopper searching for "black t-shirts for women" has a more specific purchase in mind. While "black t-shirts for women" is classified as a generic keyword, the more detailed — or longer tail — it allows you to be more cautious with your ad spend by focusing on customers more likely to convert.

COMPETITOR

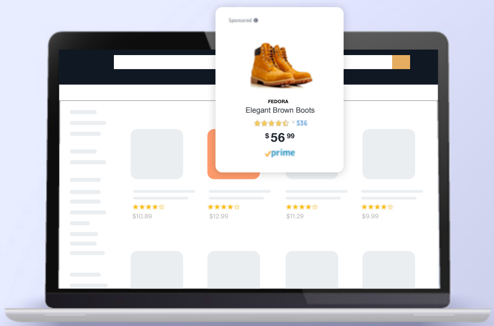
A competitor campaign targets searches that involve your competitor's brand names or trademarks. Bidding on a competitor term will help you capture market share and increase brand awareness, as you are essentially working to "steal" those customers. However, keep in mind that these clicks can get expensive. Competitor campaigns typically run at a higher ACoS and have a low conversion rate, as you're racing customers when they're already further down the purchase funnel with a competitor.



Advanced campaign structure using audience-based targeting

04

All About Amazon Ad Types



Amazon Sponsored Products Ads

First, What Are Amazon Sponsored Products Ads?

Amazon Sponsored Products ads are best used to capture buyers searching for a product similar to yours.

Like Google ads, Sponsored Products are pay-per-click (PPC) ads based on keyword or ASIN targeting that drives traffic to individual product detail pages.

They can appear in several locations across Amazon, including:

- At any placement within the search results
- On product detail pages adjacent to the Buy Box
- On product detail pages in the carousel

Amazon Sponsored Products are one of the most common types of advertising utilized by sellers and brand owners. These ads allow you to promote individual products with targeting based on keywords searched by customers, as well as product attributes that are searched by customers.

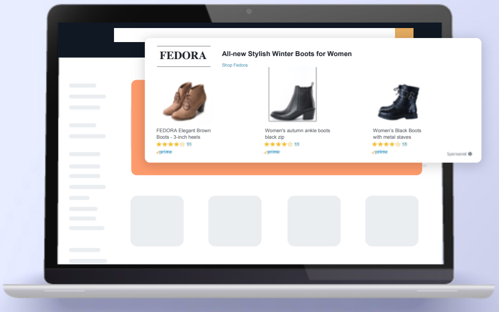
The purpose *of a Sponsored Products ad is to secure a higher ranking in specific keyword searches or product detail pages. They are useful across nearly every product lifecycle stage. For brands launching a new product on Amazon, you need to be more aggressive* ***to capture sales without the benefit of high organic ranking*** *on the search results page. Sponsored Products Ads are critical to kickstarting the Amazon Flywheel and growing over the long term.*

Product Life Cycle	Launch	Grow/Maintain	Profit
Sponsored Product ads	✅	✅	✅

Sponsored product ads are useful at every product lifecycle stage

On the other end of the spectrum, Amazon Sponsored Products Ads are also ***useful for brands*** *that want to breathe* ***new life into a product with declining sales****. In this situation, you would tailor your campaign towards driving efficient sales, rather than aggressively to driving volume.*

Which begs the question:
How should you determine your keyword bids?



Amazon Sponsored Brands Ads

*Sponsored Brands ads are keyword and ASIN-targeted, CPC based, and use **rich creatives** to help your brand appear in **prominent places on Amazon search (and beyond)**. They look a lot like organic search results, which makes them particularly attractive to shoppers.*

Key Benefits to Sponsored Brands Ads

In addition to providing the highest RoAS in Amazon Advertising, ***Sponsored Brands Ads have a number of other benefits:***

MORE VISIBILITY

Keyword and product-targeted ads are able to appear in highly visible placements throughout Amazon search, AND on product detail pages — your own and your competitors'.

BRAND AWARENESS

Eye-catching creatives can help draw new customers to your brand and tell your brand story.

DRIVE TRAFFIC

Sponsored Brands take shoppers to your Store, a custom landing page that displays your selection of products, or directly to a product detail page.

CREATE REPEAT CUSTOMERS

When you link your ads to your Store, you provide opportunities for existing customers to find more products you offer.

Creatives in Sponsored Brands Ads, and Types of Ads

Sponsored Brands ads offer several different formats (more on that soon), that give you the ability to customize your creatives to grab the attention of potential customers. This gives you a great amount of control over how your brand appears on Amazon, and allows you to showcase your brand in the best way possible.

Product Collection Sponsored Brands Ads

The original type of Sponsored Brands, Product Collections allow you to promote a collection of products in a banner-type ad that features product images, lifestyle images, or custom images you create. Custom images can contain your logo, show your product being used, and more. Sponsored Brands ads on mobile convert much better when they have images of products.

You have to choose where your Product Collection ad takes a shopper when they click. You can choose to send them directly to a product detail page, to a simple or custom landing page, or to your Store. Amazon recommends you link to your Store to help shoppers "explore your entire product selection and brand." This is a great strategy for brand awareness, but you can use Product Collections to link directly to a product, which is a good play as well. It all depends on your strategy.

Stores Spotlight Sponsored Brands Ads

If you have a great brand Store, and you are trying to grow brand awareness on Amazon, Store Spotlight ads are a great option. Instead of showing three Products in a Sponsored Brands ad, you can show up to three Store subpages in the creative instead. The ad will show the subpages and product collections in the Store pages you choose.

Your Store has to have at least three subpages to use this type of ad, and each subpage should have a unique product. You'll be able to toggle through and choose the subpages you feature in the ad, and you can add a headline, logo, and adjust the labels and images the ad will use.

Sponsored Brands Video Ads

Sponsored Brands Video ads display short (**6** to **45** seconds) videos within Amazon shopping results. They are shown for keyword searches that are relevant to your product, and direct shoppers to the product detail page.

Keep in mind that Video ads need to follow both the Amazon Creative Acceptance Policy and the Video Asset Guide. ***Reasons that Video ads might get rejected are:***

- You included a link in the video
- The video has black frames
- Video is letterboxed
- Abrupt cutoffs
- You've included Amazon branding elements
- You've added customer reviews to the video
- The video lacks captioning to any audio

Sponsored Brands Video ads have their own auction and placement, even though you create the campaign in the same way you create other Sponsored Brands campaigns. Thus, Video Ads do not compete against the rest of your Sponsored Brands campaigns or any other campaigns you run.

Targeting Tactics for Sponsored Brands Ads

There are ***two targeting options*** for Sponsored Brands Ads:

KEYWORD TARGETING

Like Sponsored Products Ads, you can choose keywords that shoppers are using to appear in search results. Use this type of targeting when you know the terms shoppers are using to search for products like yours. Your Sponsored Products ads can be a wealth of information in this respect, so make sure you're using your data to make decisions.

Some best practices for keyword targeting are:

- Include at least **25** keywords, with a mix of match types, for best results
- Don't forget negative keywords!
- Refine your keyword strategy over time

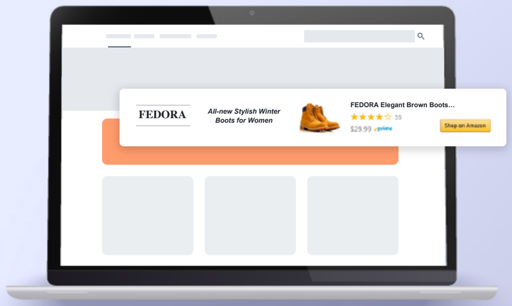
PRODUCT TARGETING

Product Attribute Targeting (PAT) targets ASINs or product categories, rather than keywords. This is extremely helpful when you don't know the keywords shoppers are using, but you want to reach in-market customers or take category share away from your competition.

Moderation Review with Sponsored Brands Ads

Sponsored Product Ads are approved automatically, but Sponsored Brands ads require approval by Amazon's moderation team before they go live.

Sponsored Brands ads can help you gain a lot of visibility on Amazon, and can have a high RoAS. Make sure you're paying attention to the data to make adjustments on Sponsored Brands ads to get the maximum benefit.



Amazon Sponsored Display Ads

Amazon Sponsored Display ads are available to brand-registered sellers, and show up all across the Amazon marketplace. ***They appear on:***

- Amazon homepage
- Shopping results page
- Customer reviews section
- Product detail pages of similar items and categories

They can also appear off Amazon on select third-party websites like Twitch.

> *"Sponsored Display ads are great to help drive reach, target competitors, and grow new to brand consumers by targeting relevant audiences and interests, as well as remarketing consumers who have clicked on your ad but did not make a purchase. These ad units are a good idea to test for clients who may be interested in DSP but may not have sufficient budget to fully launch a full DSP activation."*

Nicole K.
Team Lead, Premium Services
Teikametrics

How Sponsored Display Ads Work

Unlike Sponsored Products and Sponsored Brands, Sponsored Display ads are powered by shopping signals instead of keywords. Amazon shows Sponsored Display ads based on what shoppers are buying, which categories they prefer, what's been in their shopping carts previously, and what product detail pages they've visited. So, how you target these types of ads matters.

Targeting Sponsored Display Ad

You can choose to target Sponsored Display Ads via Audiences targeting or Contextual targeting (or Product targeting).

As we've mentioned contextual (product) targeting in the section above, it's time to look at audience targeting. This targeting allows you to target and retarget shoppers based on their past activity on Amazon. Lifestyle insights allow you to customize targeting based on user behavior on Prime, IMDb, and Twitch.

Sellers are charged every time a user clicks on or views a Sponsored Display ads.

Sponsored Display VCPM

VCPM (Viewable Cost-Per-Mille) Sponsored Display advertisements are a type of advertising format available on Amazon Advertising. These ads appear on Amazon and other websites across the internet, and they can be targeted to specific audiences based on their shopping and browsing behavior.

VCPM Sponsored Display ads are designed to be visually impactful and engaging, with eye-catching images and messaging that encourages customers to click through to your product detail page or brand store. They can appear in a variety of formats, including banner ads, interstitial ads, and in-feed ads, and they can be customized to fit the look and feel of your brand.

The cost of VCPM Sponsored Display ads is based on a viewable impression, which means that you only pay when your ad is actually seen by a customer. This can help you optimize your ad spend and get the most value for your investment.

Overall, VCPM Sponsored Display ads can be an effective way to reach a large audience of potential customers and drive sales for your products or brand on Amazon.

Sponsored Display Video Ads

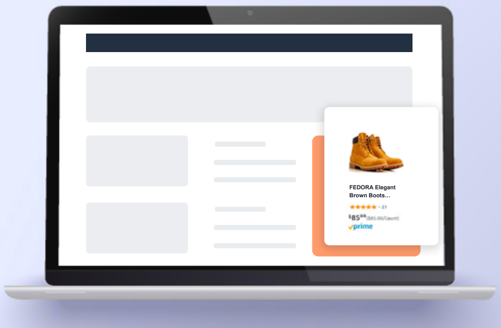
Sponsored Display Video ads are a type of advertising format available on Amazon Advertising. These ads allow advertisers to promote their products or brand using engaging video content that appears on Amazon and other websites across the internet.

Sponsored Display Video ads are a type of advertising format available on Amazon Advertising. These ads allow advertisers to promote their products or brand using engaging video content that appears on Amazon and other websites across the internet.

Sponsored Display Video ads can be targeted to specific audiences based on their shopping and browsing behavior, and they are designed to be visually impactful and attention-grabbing. The video content can be customized to fit the look and feel of your brand, and it can be used to showcase your products, highlight key features and benefits, and drive interest and engagement among potential customers.

The cost of Sponsored Display Video ads is b***ased on a cost-per-click (CPC) model,*** which means that you only pay when a customer clicks on your ad. This can help you optimize your ad spend and get the most value for your investment.

Overall, *Sponsored Display Video ads can be an effective way to reach a large audience of potential customers and drive sales for your products or brand on Amazon. By leveraging the power of video content, you can create a more immersive and engaging advertising experience that helps to build awareness, drive consideration, and ultimately, generate sales.*



Amazon DSP Advertising

So far, the ad types we've discussed are only available to sellers on Amazon marketplaces. On the other hand, Amazon DSP is available to both Amazon sellers and other brands that want to reach shoppers on the Amazon marketplace and beyond. It delivers display-type ads on Amazon and other sites across the internet.

Amazon DSP differs from other DSP providers in that it utilizes the wealth of Amazon shopper data to target customers, enabling a brand to target in-aisle shoppers and look-alike audiences as well as retargeting Amazon shoppers.

How Can I Use Amazon DSP?

Amazon DSP is a powerful tool you should explore if you're hitting diminishing returns on your use of other Amazon ad types. Think of it as the highest and widest portion of your ad funnel, where you're able to catch many shoppers' attention to begin to nurture their interest in your brand.

A great way to use DSP is to retarget customers who have engaged with your product detail page or purchased your product. Drawing their attention back to your product can encourage them to decide to actually make a purchase — and those who have already purchased can be targets for cross-selling and reselling.

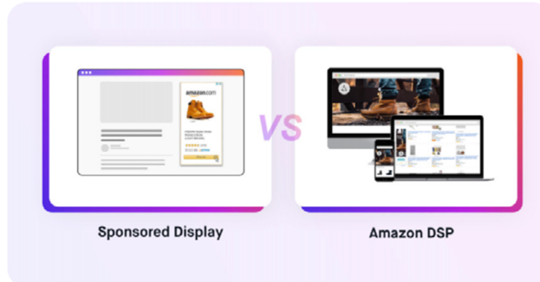
Another excellent use case for DSP is to find new audiences by targeting in-aisle shoppers who are looking at products like yours or look-alike audiences who have characteristics in common with shoppers who have purchased your products in the past.

Tips for Optimizing DSP

To see great returns with DSP, we suggest investing in quality creative assets to pair with expert data analysis. DSP requires allocating a substantial budget to see success. Look at metrics like your Detail Page Views, or the number visits you've received on an Amazon Detail page and new-to-brand purchases to understand the value your ads are driving and make adjustments to steer those ads toward your goals.

Detail page view rate (DPVR) refers to the total number of promoted product Amazon Detail page views, divided by number of ad impressions; presented as a rate.

Amazon DSP is a powerful and sophisticated tool with a high barrier to entry ($35,000). We strongly recommend working with a partner like Teikametrics to break that barrier, advise on DSP strategy, and handle both implementation and optimizations.



Sponsored Display VS DSP

As Amazon continues to improve the features of Sponsored Display (SD) audience targeting, sellers are...

Ian Miller
Senior Ecommerce Analyst, DSP Strategy, Teikametrics

Amazon STV Ads

You'll find these ads on

Amazon STV (formerly known as OTT) are streaming ads available to brands that sell on Amazon, but also brands that do not. STV ads reach niche audiences watching content on mobile devices, computer desktops, and smart TVs. They play like commercials before and during content on streaming platforms. Viewers cannot skip them, and they are not clickable.

Unlike traditional TV commercials, Amazon STV is more data-driven, allowing brands to connect with top-of-the-funnel consumers in a more strategic, powerful way.

What Are the Benefits of STV Ads?

In a nutshell, the targeting available through STV is the biggest advantage. Amazon's DSP tells you who sees your ads and you can use data to choose the type of person who is most likely to buy your products.

The data available is lifestyle data — interests, shopping habits, and more. You can filter by demographic data like age, income level, or even specific interest groups like "parents" or "homeowners."

You can choose your audience based on who has browsed certain products, including shoppers who have clicked on your product detail page but didn't buy. This lets you leverage STV to increase conversions.

It can be a little overwhelming to dig into the data to make sure you're putting the complicated assets required for Amazon STV to the best use. Working with Teikametrics' managed services team can help unlock the value of this powerful form of advertising.

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Business Profitability on Amazon

When you're just launching a product on Amazon, you will need to run aggressive promotion that will eat into your margin. Once you're up and running, your focus needs to be on profitability.

Success for an ecommerce business may not lie in driving the most top-line revenue. If you aren't focused on profits, your business can't succeed long-term.

This is where a profit and loss (or P&L) statement comes in. This report gives you a more complete picture of your entire business on Amazon.

You can see that top-line gross sales is trimmed down to net sales by subtracting any returned sales and promotions.

The second grouping, which is very important, is easy for Amazon sellers to gloss over. Cost of goods sold (CoGS) is a metric only you will know. Amazon won't. And it's almost always the largest cost associated with selling on Amazon.

When calculating CoGS, include all direct costs associated with producing and providing the goods. Do not include general expenses associated with operating the business.

It's worth taking the time and effort necessary to have a detailed accounting of CoGS across your entire product portfolio and supply chain so you can confidently measure it and make better decisions for your business.

After you factor in costs from Amazon, you'll be able to calculate your Gross Profit, which is cut down by any shipping, storage, or return fees from FBA. You then arrive at your operating profit — the bottom line number that gives you a proper accounting of the health of your business.

Sample account-level P&L statement

Gross Sales	$319,175.34		
Returned Sales	$16,147.38		
Promotional Cost	$2,623.56	–	
Net Sales	**$300,404.40**		
Cost of Goods Sold	$195,134.81		
Weight Handling	$23,889.60		
Advertising Costs	$6,861.09	–	
Gross Profit	**$74,518.90**		**24.8%**
Shipping Costs	$2,208.13		
Storage Fees	$23,889.60		
Return Fee	$6,861.09	–	
Operating Profit	**$69,791.74**		**23.23%**

How Do You Improve Profitability?

If your Amazon business isn't turning a profit at the level you expect, consider a phased auditing approach — starting at the highest macro level before digging deeper.

First, take a hard look at your Amazon account. Problems you solve at this level are likely to have the greatest impact. Questions you may want to ask yourself are:

- Are my storage fees too high? Can I better account for what to send to FBA to drive this down? Are there errors in my fee assessment?
- Is my advertising efficient enough? Would better campaign structures or technology make a difference?

Next, you can examine your business at a supplier or product level. Questions that make sense to ask here are:

Have manufacturer costs changed? Do you need to fix something in your supply chain?
Has the competitive landscape changed? If more sellers are entering the space, ad costs will go up. You need to be able to adjust on the fly to minimize any cost overruns while still driving sales volume.

In order to achieve and improve profitability, it is vital to understand incrementality.

Incrementality on Amazon

An ad strategy focused on incrementality on Amazon uses ads to drive sales that you would not have otherwise captured organically.

In other words, instead of wasting your ad budget showing ads to people who've already decided to buy your product, you need to make sure that you're advertising to people who still need to be convinced.

Ads showing up on the wrong keywords can attract customers who were already likely to make a purchase, and leave you paying for a sale that would have happened anyway. Yet deceptively, it's these ad campaigns, where the money is more likely to be needlessly spent, that typically seem especially "efficient" in terms of traditional ad metrics like Advertising Cost of Sale (ACoS). Your ability to measure incrementality is what helps you separate a smart ad buy from a waste of money.

To effectively drive incrementality on Amazon, there are ***three major pillars*** you need to execute.

1. Understand both efficiency-focused and growth-focused metrics as part of your advertising strategy
2. Gain a clear understanding of your branded, generic, and competitor keywords
3. Have a good campaign structure that promotes easy measurement and adding new, relevant keywords as they reveal themselves

Getting all this in order requires some effort, but ultimately will help you better discern the value of any given click, which is critical to profitably operating in a competitive marketplace like Amazon.

Value Per Click on Amazon

To maximize your performance, it's critical to recognize that not every ad click is of the same value. An ad click poached from a competitor is better for your business than one on your own branded keywords that could have been captured organically. Similarly, if a click on a non-branded keyword is more likely to result in a sale (i.e. a higher conversion rate), you'd want to bid higher than you'd bid on a keyword where clicks are less likely to convert.

Depending on your business, market dynamics, and the particular product that you're advertising, there's a "right" bid for every keyword. You don't necessarily want to win every impression you can — you want to win the impressions that are most likely to result in a sale you wouldn't have captured otherwise. This means you need to determine, for example, what a win is worth on your biggest category term vs. your top competitor's branded term.

The easiest pitfall brands fall into is bidding heavily on their own branded terms. The result is that you'll win way more clicks than you need. While the ACOS may look good, in reality, you're likely poaching sales that you almost certainly would have captured organically. This is why bidding to value is so important to your business's long-term success.

Bidding based on the value per click on Amazon is a larger subject, but at a high level constructing a meaningful value-based bidding system begins with solidifying a few key inputs for each product you plan to advertise:

- What is your pre-ad gross margin? How much money do you have to play with on a given product before factoring in any advertising spending?
- What's your product's current life cycle stage? Do you need to go past your margin to drive sales volume on a product launch? By how much? For how long is that sustainable?
- What's your profitability tolerance? If your product is at a **30%** margin, you can't be running at a **30%** ACoS or you won't turn a profit. But this tolerance needs to be different based on keywords, organic rank, and Amazon Best Seller rank.
- What's your product's price? Is it competitive with the current top-ranked organic competitors?

Depending on your circumstances, to ensure profitability, you may need to consider a longer lead time with advertising to generate sales velocity and review volume that will drive significant organic growth down the line.

All these inputs should help you formulate an ideal bid, at least initially. Then, you need to track your conversion rate (CR) over time and adjust that bid as necessary. It's important to note that these factors change regularly. This constant management to fit your bid to a click's value to your business is why algorithmic bidding is so important in the context of profitability.

What If My Amazon Ad Spend Is Too High?

Before you consider whether to cut (or raise) your Amazon ad spending, make sure you're keyed in on the right metrics. We've written above about ACoS — a figure Amazon provides to show how much you are spending on advertising for each ad-generated sale. For instance, if you spend **$100** on ads to generate **$1,000** worth of ad-derived sales, your ACoS is 10 percent.

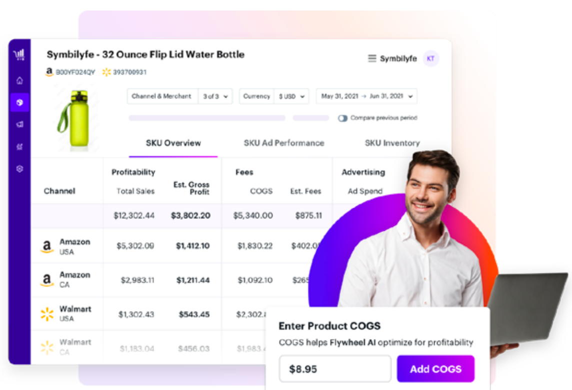
ACoS is important, but make sure you're also factoring in Total Advertising Cost of Sale (TACoS). This metric is generally a better gauge of ad effectiveness because it takes into account not only the sales directly produced by an ad but also the organic sales that come due to momentum driven by an ad campaign — what we call the Flywheel Effect. Thus, if you spend **$100** on an ad but generate **$10,000** in combined ad-attributed and organic sales for products in that campaign, your TACOS is **1** percent.

How you evaluate your ACOS and TACOS metrics will depend on your business objectives. If you are launching new products, you may see a higher TACOS as you try to aggressively enter the market. Once the product is launched and established, you should expect your TACOS to decline as you generate a greater percentage of sales via organic search. Despite your best efforts, if your Amazon ad spend is too high and your TACOS doesn't begin coming down, even after the product is established on Amazon, here are ***some ways to cut costs:***

- Lower or pause ad spending on underperforming products, then gauge the results to see if you've helped or hurt your margin
- Add negative and/or narrower match keywords to reduce wasted ad spend
- Try increasing product prices to improve top-line sales (but be aware that doing so may reduce sales volume and push your TACOS even higher)
- Offer coupons and other promotions to encourage shoppers to stock up on multiple units, so you can tally more units per sale
- Optimize your product listing page to improve conversion rates

At a certain point, every successful Amazon seller will need help with their Amazon ads. The Amazon ad ecosystem is incredibly complex and the number of calculations needed to optimize bidding quickly gets out of hand.

Teikametrics can help. *Build campaigns optimized for your goals using our software, and then set our bidder to automatically respond to market trends and meet those goals. It will also identify performing keywords so you can move them from auto to manual campaigns and refine match taps to give you the best control over how you bid on each keyword.*



Our software is designed to automate your workflows, save you time on advertising, and make your ads profitable. With low prices and a 30-day free trial it's a risk-free option to take control of your Amazon advertising.

Get Started For Free

Conclusion

When it comes to ecommerce, Amazon isn't going anywhere. It is a critical marketplace to leverage if you want to maximize your sales and grow your business. Once you've understood the tools, techniques, and expectations provided by the marketplace, you need to see how to leverage these options to meet your goals. By maintaining a grasp on the differences between ad types, you can find which work best for your product overall, which to use at different stages in the funnel, and which to avoid based on your budget or goals.

Taking a full-funnel approach to advertising on Amazon is the best way to ensure that you get more sales, but also attract more eyes to your brand and product offerings. When you leverage the different ad products offered by Amazon, you reach shoppers at all stages of the buying journey.

We hope this overview has been enlightening, and are available to ***support your business goals with a free consultation.***

Talk soon!

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