Advertising on Amazon

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Introduction

Goat Consulting is a third-party Amazon account management and marketing firm that offers marketing services to brands and manufacturers selling on the Amazon.com marketplace. One of the key benefits to bringing on a partner like Goat Consulting is that it gives brands and manufacturers the opportunity to work with experts who devote their entire focus to the Amazon Marketplace.

The focus of this white paper is around Advertising on Amazon. We cover the different advertising options available to brands on manufacturers to help drive traffic to product listings and brand pages.

We hope that by the end of reading this you have a better understanding of:
- Goals for brands and manufacturers when Advertising on Amazon
- Importance of search term advertising
- Different advertising campaigns available to Amazon advertisers
- How sellers can drive traffic to product detail pages

If you have any questions regarding this white paper or anything Amazon related, please reach out to us at https://www.goatconsulting.com/contact-us.

Introduction to Advertising on Amazon

According to an article by CNBC and a market research firm eMarketer, Amazon is the third largest online advertising platform behind Google and Facebook.[1] Amazon has a trove of data related to how customers shop which help sellers target customers more effectively by matching up advertisements with relevant demands from customers. This creates a better shopping experience for Amazon customers by being served relevant ads for products they are searching for, and a high return on investment for sellers from accurate advertising targeting. Sellers can view an array of advertising metrics including sales, spend, cost per click, impressions, advertising cost of sale (AcoS), return on advertising spend (RoAS), and others to assess whether they are achieving their sales and brand awareness goals.

Sellers can use a variety of different advertising options available on Amazon in order to target customers at different stages of the shopping cycle and goals for the brand serving those ads. If the goal is to drive sales, Sponsored Products let sellers serve ads towards search terms that customers might search to find and purchase their product from the Amazon search bar and serve an ad for their product listing at the top of the search results page. Brand Awareness can be achieved by utilizing Sponsored Brands which drives search traffic to the seller's Amazon store. Amazon DSP is a programmatic advertising platform that drives customers from other sites on the internet to Amazon detail pages.

Amazon continues to put resources into their Advertising platform which helps brands and manufactures reach new customers.

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[1] https://www.cnbc.com/2018/09/19/amazon-third-largest-digital-ad-platform-behind-facebook-google.html

Sponsored Products

Sponsored Products is an advertising campaign type that allows brands and manufacturers to display their product listing prominently for search terms inputted by potential customers in the Amazon search bar. Throughout this white paper, we will use an example of a brand owner that sells backpacks in order to illustrate the different Amazon Advertising options. Here is an example of the brands utilizing Sponsored Products targeting the search term 'backpack'. Their products appear at the top of search, which is the most prominent location a customer might purchase the product.

Put yourself in the shoes of an Amazon customer, have you ever gone to page 5 on a search results page to purchase the product? Neither have I. Sponsored Products allows sellers to 'jump the line' to the top of the search results for their product listings.

Sponsored Products advertising displays brand's products when the customer is in the purchasing mindset. Brands and manufacturers can control costs and advertising budgets as Sponsored Products is a pay-per-click type of advertising, meaning sellers only pay for the ad when a customer clicks on the ad and is brought to the product detail page. There are two targeting types of campaigns within Sponsored Products: Automatic Targeting and Manual Targeting.

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[2] https://www.amazon.com/s?k=backpack&refresh=1&ref=glow_cls

Automatic Targeting

Automatic targeting is the setting that allows Amazon to match your product's ad with search terms that the Amazon algorithm thinks most closely matches what you are selling to the terms you are searching. Based on the product copy that is written on the title, bullet points, product description, and search terms; Amazon will serve your ad based on those indexed keywords. There are four types of matching options for Automatic Targeting including: close match, loose match, substitutes, and compliments. Each of these have a different targeting strategy that Amazon implements.

Close Match

This matching style displays ads to shoppers that use search terms that are very relevant to the product you are advertising. For example, if your product you are advertising is a "large canvas black school backpack", Amazon will serve the ad for search terms like "school backpack" and "canvas backpack".

Loose Match

Loose match displays the product ad towards search terms that are somewhat related to your product. This could mean different styles or products in the same category as the item being advertised. An example would be for our "large canvas black school backpack" example could be an ad being displayed for a search term like "pencil pack" or "school bag".

Substitutes

This match type displays ads to products similar to your product. An example of this ad for "large canvas black school backpack" could be an ad that displays when someone searches "red backpack" or "camping backpack".

Compliments

This match will show Sponsored Product ads when search terms that are compliments to your product are submitted. An example of a complimentary search term for "large canvas black school backpack" would be a search term such as, "3-ring binder" or "folder".

Manual Targeting

Sponsored Products Manual Targeting puts the responsibility for search term or product targeting in the hands of you as the advertiser. You can target the specific words that you think customers might search to find, and potentially purchase your product. Manual Targeting allows you to target based on keywords and products.

Keyword Targeting

This targeting is serving ads towards search terms that customers might search in order find your product. Back to backpack example of selling a "large canvas black school backpack", a customer could search several different phrases that could match up to what they are looking for, to what we are offering. Some examples include: "school backpack", "large backpack", "canvas backpack", "large black backpack", or just "backpack". All these search terms technically are what we are offering. The trick is to find the relevant keywords that customers search that most closely matches what you are selling, with what customers are searching for. Customers searching more broad keywords such as "backpack", will provide a larger pool of potential customers, but they may be looking for a different product than what you are offering.

Amazon allows sellers to create campaigns with different match types that helps sellers target a large pool of potential search terms based on the keywords submitted. The different match types for Sponsored Product Manual Keyword Targeting includes: Broad, Phrase, and Exact

- Broad – Broad match type takes your keyword and will match with search terms if it contains all the keyword terms in any order. If you include the keyword for example, "large backpack", Amazon could use a search term for the ad with a wide variety of search terms like "red backpack", "large black backpack", "large bag". Broad match type the widest net of search terms you can target.
- Phrase – Phrase match type takes your keyword and runs an ad on search terms that must contain the exact phrase or sequence of the key that was inputted. The inputted keyword "large backpack" for phrase match type may run ads for search terms like, "red large backpack", "large backpack for children", "camping large backpack". As you can see, these search terms all include the phrase "large backpack" but can add other words or phrases around it. This match type is more restrictive than broad match type.
- Exact – Exact match type targets search terms that is the same or very close variations of the keyword inputted. Targeting "large backpack" will serve ads for the search term "large backpack" and close misspellings. This is the most targeted match type

Product Targeting

Product targeting allows advertisers to select specific products, categories, and brands to serve ads towards your own products. For example, a backpack seller can run advertisement toward their backpack listing and serve the ad on competing backpack brands, individual backpack listings, or a specific category of products.

- Categories – Category targeting displays product advertisement on search terms and product listings for specific categories you decide. A school backpack seller can target a sub-category such as Office Supplies > Paper > Loose Leaf Binder Paper if a goal is to target related products that is assumed to be purchasing items for school and may want to buy a backpack as well. Another use case for category targeting is to target a category of exactly what the product is, for example Office Supplies > Backpacks, this will show the ad towards a wide variety of related products. Category targeting can be further refined by allowing advertisers to specify specific brands, price ranges, star ratings and prime shipping eligibility.
- Individual Products – If you know direct competing product listings or products you know your product has a better value proposition, individual product targeting can be an effective option. You can display a sponsored product advertising on those other competing listings. This sponsored product is displayed on the specific product listing page below the product main details. Here is an example of the individual product advertisement in line of a product listing:

Negative Targeting

Sponsored Products gives advertisers the opportunity to include search terms and products into campaigns of words specifically to *not* target, called negative targeting. This allows you to exclude those terms you designate from your advertising. Some potential use cases for negative targeting is that you find certain search terms are not providing a positive return on investment to meet financial or brand awareness goals; or the search terms provided from your keywords are not targeting relevant search terms.

Negative search terms can be provided as a negative exact or negative phrase match type. Negative exact search term will make that exact term not run in your advertising, where a negative phrase will not that search term and related search terms. Using the 'school backpack' advertising example, a negative exact match search term we could include is 'preschool backpack', which would make our advertising campaign never target the search term 'preschool backpack'. A use for negative phrase for this example, could be targeting the phrase 'camping backpack', this will prevent an array of search terms such as 'red camping backpack', 'large

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[3] https://www.amazon.com/dp/B06XZTZ7GB

camping backpack', 'camping backpack with many pockets', and other 'camping backpack' related search terms.

Sponsored Brands

Sponsored Brands is an advertising campaign type that allows advertisers to display a banner advertisement that can appear at the top of the search results page. These ads are more customizable than Sponsored Products as traffic can be routed towards a seller's Amazon Storefront page or a curated selection of product listing pages and include the brand's logo with a custom headline. Due to the customization option of this type of advertising, these campaigns must go through an Amazon moderation team. These ads are also pay-per-click so advertisers' budget is only spent when a customer clicks on the ad.

Sponsored Brands is a great advertising option for advertisers that have a goal of building brand awareness. The different ad formats for Sponsored Brands include Product Collection, Store Spotlight, and Video.

Product Collection

The Product Collection ad format for Sponsored Brands promotes multiple products from a landing page, designated by the advertiser. The landing page can be towards a seller's Amazon Store, a set of 3 product listings, or a custom Amazon URL (this Amazon URL option is only for those who have an Amazon Advertising Console, generally Amazon Vendor's).
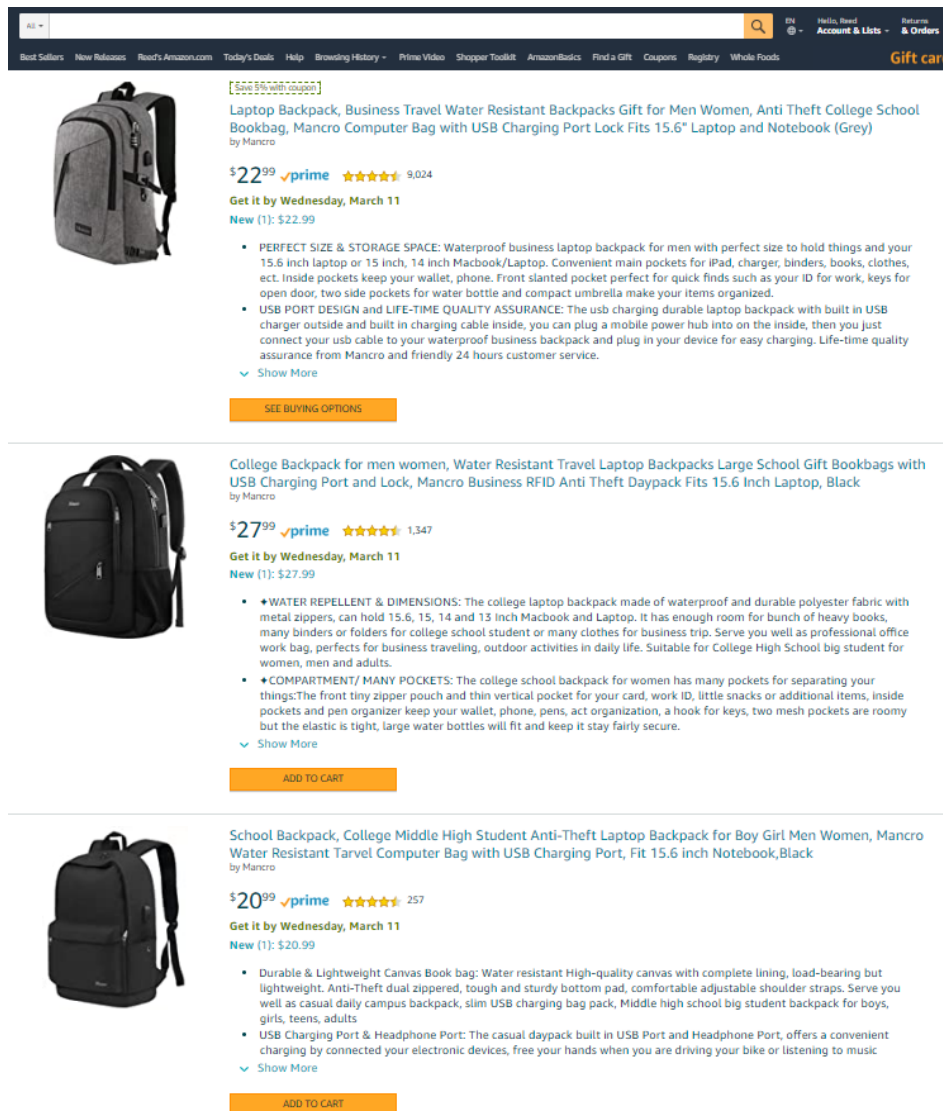
> *Amazon Store*
> Sponsored Brand campaign with the ad format Product Collection with the landing page of an Amazon Store will display an ad showing the Brand's logo, a custom headline, a call to action suggesting the customer to 'Shop now' and display three products that the advertiser can choose. Clicking the logo or the show now option will bring the potential customer to the homepage of the Amazon Store. This type of ad targeting builds brand awareness around the catalog of the brand or manufacturer. Like Sponsored Products advertising, these brand ads can be targeted towards both Keywords (the search terms customers put into the search bar) and Product Targeting that will display towards categories, brands and specific products.

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[4] https://www.amazon.com/s?k=school+backpack&ref=nb_sb_noss_1

Product List Page

Sponsored Brand campaign with the ad format Product Collection that drives to a Product List Page to a curated list of product listings. The format of this advertisement is the same as the Amazon Store, with the only difference being that clicking on the brand image will bring the potential customer to the curated product listing list that displays the main image, title, price, reviews, first two bullet points, and buying options/buy box. Here is an example of a landing page for a set of 3 school backpacks from a Sponsored Brand Product Collection Product List Page product collection:

Custom URL (Advertising console, Vendor specific)

Advertisers that use the Advertising console portal (not currently available in the Seller Central Campaign manager) can utilize the landing page of 3 products with custom URLs directed towards pages on Amazon.

Store Spotlight

Sponsored Brand Store Spotlight allows advertisers to drive mobile traffic to a brand's Amazon storefront. The headline advertisement includes the brand's logo which sends traffic to the homepage of the Amazon store and three sub pages with advertiser defined display name text and images. This ad format is great for brand awareness for customers that shop on mobile as this advertisement is served exclusively to mobile shoppers and store front content interaction is user-friendly on phones. Here is an example of a preview for a store spotlight advertisement:
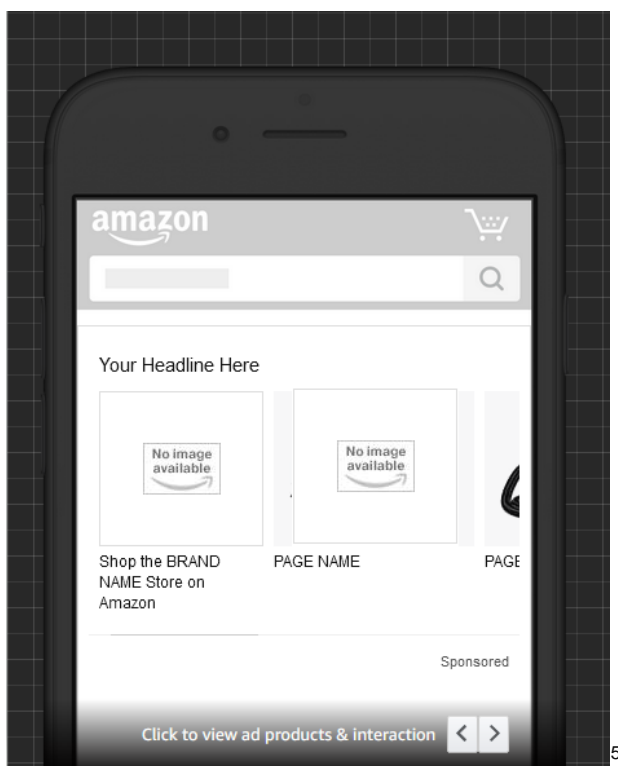
Video

The newer Sponsored Brand ad format is Video. Video advertising plays a video uploaded by the advertiser within the in line of a search results. When a customer inputs a search term and as they are scrolling down the search results, this type of video advertisement automatically plays without the need to press a play button. Think of this style of advertising as an Instagram-like video as the video plays while scrolling through the feed. It is important to have a highly engaging ad, especially in the first two seconds as viewers can have a very short attention span. Guidelines on creating a video can be found on the Amazon Ad Policy 3.11[6] Guidelines including duration of 6 to 45 seconds, aspect ration of 16:9, less than 500mb and file format of MP4 or MOV among other requirements.

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[5] https://advertising.amazon.com/

[6] https://advertising.amazon.com/resources/ad-policy/en/sponsored-ads-policies#sbv

Sponsored Display

The newest campaign type within Amazon Advertising is Sponsored Display. This type of advertising targets customers both on and off. This is an exciting advertising option as it is the first campaign type within Amazon Advertising for Seller Central brands that utilizes Amazon's reach from advertising networks across the internet to drive target off Amazon to your product detail page. The two types of targeting available within Sponsored Display are audiences and product targeting. This advertisement can be shown on product detail pages, buying options page, and different placements around various websites and Amazon brand devices across the internet. The Seller Central Campaign Manager and the Amazon Advertising Console for Venders Sponsored Display options do differ slightly for this campaign style which I will note below.

Here are a few examples of what this ad type can look like with the dimensions automatically generated by Amazon, given details from the product detail page. Vendors are able to customize this type of advertising. No image available indicates where Vendors can upload logo and 'Your Headline Here' shows the headline option allowed to the advertiser.

Seller Central Campaign Manager Audience Targeting
For brand owners selling on Seller Central, there are three Audience types for Sponsored Display ads: searches, views, and purchases. These ads do not allow for creative editing for adding a specific headline or a logo, it is automatically generated from the product detail page of the advertised product.

Searches

The Searches audiences targeting allows the advertiser to target shoppers who searched for keywords relevant to the product you have chosen in your ad. This ad placement is served both on and off Amazon, meaning potential customers could see this ad on pages on Amazon.com, Amazon owned devices such as a Kindle, or on other websites such as ESPN.com, Instagram, or Facebook, or any other site that Amazon has purchased advertisement real estate. A major difference in this type of targeting is that the cost and bid is based on impressions (not clicks). Advertisers bid are per 1,000 impressions (CPM).

Views

Running advertisements based on Views audience targeting serves the ad to shoppers that have viewed your advertised product or similar products. This type of advertising is often called 'retargeting'. The placement of this ad is only off of Amazon.

Purchases

Using the Purchases audience targeting for Sponsored Display will serve the ad towards customers that have already purchased your product. This type of advertisement is great if your product inherently is a repurchased item such as food or disposable items. The placement of this ad is both on and off Amazon The bidding for this ad type is on impressions (1,000 impressions, CPM bid).

Vendor Central Targeting

Seller Central only offers targeting for Audiences, but Vendor Central allows targeting for both Audiences and Product Targeting. These ads are customizable allowing the Vendor to edit the logo and create a custom headline.

Audiences

Audience Targeting allows Vendors to target based on Interests or Views with bidding on based on cost per click (CPC).

- Interests – Vendor Sponsored Display Audience targeting based on Interests will serve the ad towards shoppers who have showed interest in related categories. This ad will be served only on Amazon. The advertiser can select the category and subcategory of their choice. For example, for those selling a backpack, it is possible to target the subcategory of 'Camping and Backpacking'. The ad will then be served to Amazon customers that have a browsing history and purchases in that category.
- Views – Sponsored Display Audience targeting based on Views will serve ads towards shoppers that have viewed the detail page of your advertised products or similar products. This ad type is the same as the Seller Central version as it is based on cost per click as well as serving ads off of Amazon.

Product Targeting

Product Targeting allows Vendors to target customers in advertisement based off of specific products or categories on Amazon in a cost per click style. This type of advertising is great for Vendors that have a strong understanding of their competition or specific product listings they want to serve their ads on.

- Products – Targeting specific products with a Sponsored Display ad can be a good option if you know your product to be a superior product based on price, quality, reviews, or other factor as this ad is served directly on the detail page of the listing directed by the Vendor.
- Categories – Category product targeting allows Vendors to serve ads on categories or subcategories of their choosing. This allows for blanket exposure across an array of similar products.

Campaign Bidding Strategy

This section will cover bidding strategy and options for Amazon Advertisers to bid on ads for placement. In order to have the ad served the advertiser must 'win the bid'. This is performed in an auction like setting that occurs behind the scenes in Amazon's algorithm. Advertisers that are competing for the advertisement real estate all submit a bid for the ad, and the highest bid wins. This is not 100% true as Amazon considers other factors such as product relevancy, but in theory the highest bid wins the ad spot. Amazon wants to have a marketplace that serves relevant ads which is why relevancy is consider. Customers do not want to see a toothbrush Sponsored Product ad when a customer searches for a backpack. Advertisers can use dynamic bidding, fixed bids, or adjustment of bids based on placement.

Dynamic Bids
Amazon can predict the likelihood of ad conversion by using its machine-learning models that is trained on purchase data customers generate whey they shop. Tracking the customer data and using signals such as historical performance of the ad, ads similar to it, and the context of when the ad is displayed such as search term, placement, and time of day allows Amazon to have a high degree of accuracy for assessing whether an ad will convert to a sale. Opting-in to Dynamic Bids allows advertisers to use this machine-learning tool to adjust bids to increase the likelihood of purchase when Amazon predicts the likelihood is high and decrease when they predict the likelihood of purchase is low. The two options available to advertisers for dynamic bids are 'down only' or 'up and down'.

> *Down Only*
> Dynamic Bids Down Only bidding is the strategy that Amazon only bids down when they see that bid may be less likely to convert into a sale. Say your maximum bid is $1.00 for the keyword 'backpack', with the down only strategy, Amazon may reduce the actual bid to say $0.50 when the search term is less likely to convert.

> *Up and Down*
> Using the Dynamic Bid setting of Up and Down, advertisers allow Amazon to increase keyword bids (up to 100% for top of search, up to 50% for all other placements) when they believe the advertisement will convert into a sale.

Fixed Bids
Using the bidding strategy of fixed bids, Amazon will use the advertiser's exact bid for all search term advertisements. This bid type does not utilize the machine-learning capabilities, and uses the bid given by the advertiser. This advertising strategy may get more impressions but fewer sales for the ad spend relative to the dynamic bid strategy.

Adjust Bids by Placement
The adjustment bids by placement setting allows advertisers to adjust the bid of an ad for where the advertisement is placed on Amazon. Advertisers can increase the bid of a keyword up to a 900% increase (10x). The placements where bidding can be adjusted are top of search and

product pages. An example targeting the keyword of 'backpack' with a bid of $1.00 that has elected the adjust bids by placement top of search to 500%, Amazon can increase the bid up to $6.00 in order to win the bid, and place an ad for a potential for a sale.

Amazon DSP

Amazon DSP (Demand Side Platform) is an advertising platform that allows Advertisers to programmatically buy display and video ads. We will only touch briefly on Amazon DSP as it is only applicable to a certain type of advertiser, but it is worth mentioning in the context of Amazon Advertising. This platform has a unique supply of advertisement space for targeting customers on Amazon, on Amazon owned sites, apps and devices, or on other sites Amazon has space from third-party exchanges. Amazon DSP utilizes brand safety and traffic quality tools that ensure advertisers are serving ad impressions to quality traffic. This is a tool primarily for large brands that buy advertising at scale as the entry level for managed service typically requires a minimum spend of $35,000. Goat Consulting has developed a relationship where we are able to run campaigns on behalf of clients for a much lower amount by pooling client's budgets. A unique aspect to this platform is that advertisers are able to send traffic not only to their Amazon product listings, but any website the advertiser desires.

Conclusion

Goat Consulting offers Amazon Marketplace business services to brands and manufacturers selling on the Amazon.com marketplace. Whether you are just expanding to the Amazon channel or you have been selling for some time but need some assistance, we are here for you. We hope that after reading this white paper you have a better understanding of:
- The opportunity of selling on Amazon
- The importance of merchandising your product correctly
- Different advertising campaigns available to Amazon advertisers
- The different advertising options for driving traffic product listings

If you have any questions regarding this white paper or anything Amazon related, please reach out to us at https://www.goatconsulting.com/contact-us

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