

## How to Get Started with Sponsored Product Ads

### Description

A man dreamed of taking [Rajasthani handicrafts](#) out of this desert state into the national spotlight. This is how Rajasthan Emporium, now situated in the heart of Bangalore, was born. In operation for over 40 years, this emporium currently has managed to capture a big chunk of the handicraft market, thanks to Amazon. Starting right from product selection to cataloging, Amazon stood by the owner through and through. This is, however, just one success story where Amazon helped a business successfully reach a niche audience. There are, perhaps, innumerable of the similar kind which you can come across in your google search.



What resources do you think these businesses would have utilized to gain visibility on this giant e-commerce platform? The answer is Amazon Advertising combined with content optimization. Quoting an example, an up-and-coming manufacturer of men grooming products leveraged Amazon advertising to study consumer behavior and launched a full-fledged sponsored ads campaign to acquire new customers for their premium range of grooming products. As a result, the company saw a dramatic increase in its sales and was able to get a satisfactory market share. Hence, believing that sponsored ads can work wonders and contribute significantly towards reaching the target market share shall be ideal. Therefore, moving on, let us discuss what sponsored ads are.

## Meaning of Sponsored Ads

Sponsored ads are cost-per-click solutions that are significantly helpful in increasing the discoverability of a product or brand and customer engagement. Their sole purpose is to help a business reach its potential customers and keep them engaged at every step of their buying journey, starting right from the awareness to purchase and beyond. Sponsored ads are one of the self-service [Amazon advertising solutions](#) that sellers can use regardless of their market expertise. They appear on the top of search results, followed by the keyword search with the word “sponsored” tag on the image.

## Types of Sponsored Ads

### Sponsored Brand Ads

The purpose of sponsored brand ads is to increase the visibility of a brand among its target audience. They are cost-per-click ads that spread awareness about a brand and its product portfolio in search results. Sponsored brand ads display a brand logo, a custom tagline, and the product range.

**Voted #1 Softest Diaper**  
Shop Pampers >

**MONTHLY MEGA BOX**  
Pampers Premium Care Pants, Medium size baby diapers (MD), 108 Count, Sof...  
★★★★★ 7,750  
prime

**MONTHLY MEGA BOX**  
Pampers Premium Care Pants, Large size baby diapers (LG), 88 Count, Softest ev...  
★★★★★ 6,556  
prime

**MONTHLY MEGA BOX**  
Pampers Premium Care Pants, Extra Large size baby diapers (XL), 72 Count, ...  
★★★★★ 4,963  
prime

**MONTHLY MEGA BOX**  
Pampers Premium Care Pants, Small size baby diapers (SM), 140 Count, ...  
★★★★★ ~ 5,582  
₹1,407 (₹10.05/N) ₹2,199 Save

## Sponsored Display ads

Sponsored display ads are a self-service advertising solution that enables a business to display campaigns to reach its target audience both on and off Amazon. It helps a brand grow and expand by keeping the shoppers engaged throughout their purchase journey.

**Pampers**  
all-round protection  
Pampers **No.1**  
Choice of Doctors

**XL**  
12-17 kg  
56 PANTS  
DOWNLOAD PAMPERS APP & WIN\*

- Best for baby's skin – recommended diapers for newborn to keep your baby's delicate skin safe and protected from diaper rashes
- Available in sizes Newborn, Small, Medium, Large, XL, XXL, XXXL diapers
- Download the Pampers Baby World App and WIN Exciting prizes




> See more product details

**Deal of the Day**  
Soft & Comfy Premium Baby Diap...  
Little's Baby Pants...  
₹509.00 ₹758.00  
prime

Roll over image to zoom in

## Sponsored Product Ads

Businesses make use of sponsored product ads when their motive is to advertise individual product listings. They help businesses attract their target audience towards their products by enhancing their discoverability. Eventually, companies experience a drastic increase in their sales.

		
<p>Sponsored ⓘ</p> <p><b>L'Oréal Paris Total Repair 5 Shampoo, 1 Litre</b></p> <p>★★★★☆ ~ 7,841</p> <p>₹519 (₹51.90/100 ml) ₹799</p> <p>Save ₹280 (35%)</p> <p><b>fresh</b> Get a FREE delivery slot on orders over ₹600</p>	<p>Sponsored ⓘ</p> <p><b>Selsun Suspension Anti Dandruff Shampoo, Clears away dandruff flakes, Relieves from excessive oil, Relieves...</b></p> <p>★★★★☆ ~ 2,925</p> <p>₹295 (₹295/count) ₹348 Save ₹53 (15%)</p>	<p>Sponsored ⓘ</p> <p><b>Meera Strong and Healthy Shampoo, 650ml</b></p> <p>★★★★☆ ~ 743</p> <p>₹315 (₹48.46/100 ml) ₹500</p> <p>Save ₹185 (37%)</p> <p><b>fresh</b> Get a FREE delivery slot on orders over ₹600</p>

Sponsored Product ads have proved to be very fruitful for several businesses as they were able to build awareness for their catalog, drive conversions, and expand their brand space. All this accrued to sellers witnessing increasing sales quarter by quarter. A seller on Amazon quotes that it has seen a 301% increase in the overall monthly sales with the help of sponsored product ads campaign. Another seller believes that its sales volume has increased by 40% with minimal ad spend.

Sponsored Product Ads helping sellers realize their targeted sales is quite evident now. They benefit an advertising strategy of the sellers who aim to make their product discoverable and eventually reach the envisioned sales percentage. No wonder they were a boon for sellers on Amazon during the holiday season of 2020. Everybody knows that 2020 was the year when the Covid pandemic struck the world. If it were not for Amazon, the holiday season would have been dull and boring, with people refraining from stepping out of their houses. However, thanks to this e-commerce giant, people were able to enjoy their holidays to the fullest. Instead of visiting the malls and shopping centers, they made their purchases on Amazon. The jolly of holidays did not succumb to the pandemic as people had a good time exploring Amazon, which leads to an enormous increase in online sales. In fact, Amazon sales peaked on Black Friday and Cyber Monday. This spike in sales, to a large extent, can be attributed to Sponsored Product Ads. Several sellers optimized their sponsored product ad campaign to gain visibility for their product and came out triumphant in hitting the conversion rate and sales target they aimed for.

Given the high success rate of sponsored product ads in enhancing the visibility of the product as well as conversion rate, especially for those launching a new product, let's discuss about Sponsored Product Ads in detail

## Defining Sponsored Product Ads

Sponsored ads are cost-per-click ads that are predominantly used to promote individual product listing. The catch here is that an advertiser does not require prior advertising experience. These ads can be

automatically created by Amazon while considering all the shopping queries and products. The automatic targeting feature of Amazon sponsored product ads selects shopping queries even in the countries where the native language is not English.

Sponsored product ads can be used to spread awareness about a new product, advertise seasonal items, sell off excess inventory and display a bestselling item by setting a budget, bids, and targeting. These ads gain visibility primarily because of the elements like star rating, product images, and Amazon prime badge. Another reason why Amazon product ads capture buyer's attention because they appear right on the top of the search result page, on the right and bottom, and even on the product detail page. No wonder these ads enhance the shopping experience of the customers.

## Explaining Amazon PPC model

Sponsored product ads follow the Pay-Per-Click billing model. The meaning of Pay-Per-Click is that the advertiser pays whenever their ad is clicked. PPC model is used to determine the placement of sponsored product ads on Amazon. This means that the higher a seller pays, the higher is the position of the ad.



The cost-per-click for an ad on Amazon is determined using an auction procedure called second-price auction. The second price auction requires each advertiser to submit a default bid for their ad. The advertiser who places the highest bid wins the most elevated ad position and pays the highest cost-per-click. But the cost-per-click that a bidder pays is not the amount that he bids. The cost-per-click is just 1 percent higher than the next highest bid.

## Things that you should know before starting the campaign

### Key terminologies

#### Targeting

When sellers set up a PPC campaign, they target their ads. This targeting depends on the keywords used, product ASINs, categories on Amazon, and remarketing to the audience that viewed certain types of products on Amazon.

## **Search Terms**

Search term, also known as the search query, is a word or a phrase that a buyer types in the Amazon search field. They are basically the keywords that customers use to find a particular product on Amazon. [A9 Amazon](#) matches customers' search query with the terms included in the product listing in the backend and displays the relevant products on the search page.

## **Keyword Match Types**

Keyword match types ascertain how well a keyword identifies with the customer's search term. Depending upon the degree of match between the customer search term and keyword, an ad appears on the Amazon search page.

## **Negative Targeting**

Negative targeting is a potent tool and is utilized effectively during [Amazon PPC](#) activities. While negative targeting, sellers exclude all the unwanted search terms from their ad campaigns. Negative targeting includes negative keywords and negative ASINs. Negative keywords altogether eliminate impressions for certain searches, and negative ASINs eliminate impressions for certain product pages.

## **Campaign Types**

[Amazon ad campaigns](#) are of two types-automatic and manual. An automatic campaign is the type of campaign where Amazon matches the search terms that appears relevant for your product to it. Manual campaigns allow you to choose the target for your ads.

## **Dynamic Bidding**

In dynamic bidding, Amazon is responsible for adjusting your bids in real-time based on the possibility of conversion. Dynamic bidding options are of two types- bid down and bid up to and down.

## **Adjust Bid by Placement**

Using this feature of Amazon, advertisers can modify their bids to target the top of the search and product detail page. They apply a bid modifier from 0% to 900% for targeted placement.

## **Measurement metrics**

### **Advertising cost of sales (ACOS)**

Advertising cost of sales implies the amount of revenue spent on an ad. It enables advertisers to ascertain how effective their ads are compared to the competitors. It helps them determine the profitability of their ads.

$$\text{ACOS} = \text{Ad spent} \div \text{Ad Revenue} \times 100$$

### **Return on Ad Spend (ROAS)**

Return on ad spend is the average revenue earned from the ad spend. ROAS is the exact opposite of ACOS. However, like ACOS, it also helps in determining the profitability of your ads.

$$\text{ROAS} = \text{ad revenue} \div \text{ad spend}.$$

### **Cost-Per-Click (CPC)**

Cost-per-click is the amount that the advertisers pay when a customer clicks on their ads. For advertisers, optimum CPC depends on their product. They have to decide how much they can afford to pay. However, they must keep track of their CPC to ensure that they are not overpaying or underpaying.

### **Click-Through Rate (CTR)**

Click-through rate is the percentage of ad clicks calculated based on the impressions an ad receives. Impressions are the number of times an ad appears on the product display page. Click-through rate keeps you aware of how attractive an ad is to potential customers.

$$\text{CTR} = \text{number of clicks} \div \text{number of impressions} \times 100$$

### **Conversion Rate (CVR)**

Conversion rate is the rate at which ad clicks convert into orders. It is calculated as the percentage of the number of clicks. It also an indicator of how persuasive an ad is and its capability of converting clicks into orders. The higher the conversion rate, the higher is the profitability.

$$\text{CVR} = \text{number of orders} \div \text{number of clicks} \times 100$$

Now that we are aware of key terminologies and metrics of PPC let us see how to get started with the sponsored product ad campaign. The purpose of a sponsored product ad campaign is to maximize sales and gain incremental profit margin. It is of two types-automatic campaign and manual campaign. Let us understand both types of campaigns.

## **Automatic campaign**

For advertisers who are beginners and have no idea of how to set a performance-driven campaign, automatic campaigns are their saviors. They are straightforward to create, as all advertisers have to do

to define a budget and CPC bid. Once this is done, the campaign kicks off, and Amazon automatically finds the right keyword for an advertiser's product, matches them with the customer's search terms, and the advertisers' ads start getting displayed on the search result page.

## Manual campaign

A manual campaign lets advertisers take control of their campaigns. Setting budget, selecting bid, picking up targeted product ASINs, and choosing keywords in sync with his product fall under advertisers' ambit. In a manual campaign, advertisers have complete control over the campaign. They can make changes in the bid to maximize revenue or hit the required ACOS.

### Targeting in a manual ad campaign

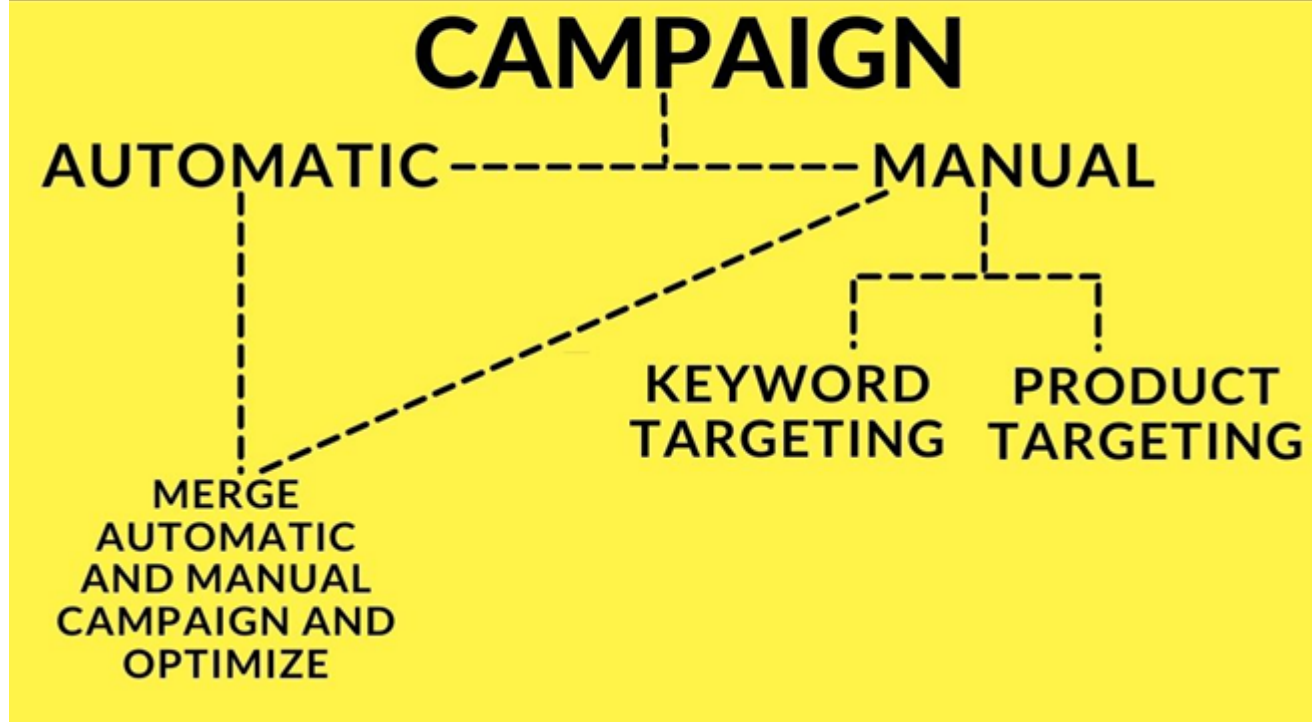
#### Keyword Targeting

Keyword targeting enables advertisers to define keywords that match customers' search queries so that their ad appears in relevant search results and on product pages. For better ad targeting, the advertisers need to use keyword match types. This is because keyword match type measures the degree of match between the customer search query and the keywords, and as a result, the ads get displayed for the search terms that are most relevant to advertisers' products. Keyword match types are of three types-broad match type, phrase match type, and exact match type. In **broad match type**, keyword appears in the search term in any order. For example, the keyword 'men wallet' can appear as 'wallet men leather' in the search term. In **phrase match type**, the keyword appears in the same order in the search term. For example, the keyword 'men wallet' will appear as 'nylon men wallet' in the search term. Inexact **match type**, the keyword is the same as the search term. For example, if the keyword is 'men wallet,' the search term will also be 'men wallet.'

#### Product Targeting

Product targeting includes ASINs targeting and category targeting. In **ASINs targeting** advertisers target ASINs for which they want their product to show up. However, in ASINs, targeting the ad will be visible only if the targeted ASIN appears on the search result page or the product page. ASIN targeting strategies include substitute ASIN and complement ASIN. To get your product a substitute ASIN, check out the 'Product related to this item' section on the product detail page. For finding out potential complement, ASIN sees the 'Customer who viewed this item also viewed' section on the product detail page. In category targeting, advertisers target their own product categories. Category targeting is fruitful for new products and the products that are likely to get purchased while browsing categories like fashion, gadgets, etc. Category targeting also proves to be useful in spreading awareness as it can quickly and easily generate many impressions.

# Campaigns and Optimization



## Optimizing sponsored product campaign

There is a structure recommended for advertisers starting a sponsored product campaign for a product or a set of products. It includes running an automatic and manual campaign together to reap the benefits of both the campaign. Routinely optimizing the campaign in the suggested way can bring success for your campaign. It enables you to collect enough data that can be used to run manual and automatic campaigns together productively. Here are few optimization techniques that can be performed to benefit from the collaboration of automatic and manual campaigns.

- An automatic campaign requires minimal efforts and can be used for continuous target research. Advertisers should move top-performing keywords and ASINs from automatic campaigns to their broad match and ASIN ad group in the manual campaign for precise optimization for the purpose of achieving the highest performance.
- Negative keywords are the keyword match type used by advertisers to eliminate unwanted customer search terms from their campaign. Their purpose is to remove the search terms unrelated to your product and the search terms relevant to the product but are getting only clicks and no conversion. Advertisers should regularly track the keywords and ASINs generating clicks and no conversions and add them as negative keywords. These negative keywords can be effectively utilized to reduce ACOS.
- Set your campaign goals and ACOS target values to find the right CPC for your campaigns, ad

groups, ASINs, and keywords. When the goal is maximizing sales and impressions, the target ACOS is break-even ACOS equal to the profit margin before ad spend. When the goal is achieving aspired profit margin after ad spends, then target ACOS is equal to profit margin before spending less profit margin after ad spend. Once the advertisers have defined their goals, the next step is to decide the CPC that brings them close to their target.

## Why use sponsored product ads?

- Sponsored Products Ads help an advertiser gain massive visibility

Sponsored product ads appear in search results and on the product page. They are visible on the top, in the right, at the bottom, and in the middle of the search result page. Given this, it very difficult to ignore a sponsored product ad. They are so creatively designed and visually appealing that customers cannot help but click the ad and, in most cases, end up buying the product.

- Sponsored Product Ads are very effective in promoting a new product

Shoppers will not buy your newly launched product till they are aware of it. And, Sponsored Product Ads can prove to be a potent resource for gaining the visibility of the buyers and persuading them to buy your product. With Sponsored Product Ads, the likelihood of newly launched products getting seen is very high.

- Sponsored product ads are of significant help in increasing sales

Sponsored product ads are focused. The keywords used are aligned with the search terms that customers use. This increases the relevancy of the ads. Once the customer uses the search term that matches your keyword type, your ad will surely appear on the product display page and motivate the customer to buy your product. This, in turn, will increase your sales tremendously.

- Sponsored product ads keep advertisers from overspending

The cost per click modal of sponsored product ads charges advertisers only when a customer clicks their ad. It totally depends on the amount advertisers bid and reduces overtime; when your product starts performing well. Since advertisers set their budget and decide the amount they want to bid per click, they control the cost.

- Sponsored product ads enable you to measure your advertising cost

We have discussed metrics like ROAS, CTR, and conversion rate earlier. These metrics are beneficial in ascertaining the success of the ad campaign. Advertisers can track their ad performance and optimize them regularly to increase their conversion rate and sales.

## Paxcom's contribution to help several businesses gain visibility

[Paxcom](#) has grown up to be a renowned industry player as it helped several businesses reach their benchmark of success. We have industry professionals working with us who are experienced and thorough with using Amazon advertising. They have designed campaigns for many of our clients to

help them gain visibility on the product display pages thereby, helping them tremendously increase their profitability.

Our team of analysts works day and night to measure the success rate of a sponsored ad campaign. They optimize the campaign aligning the right format of content, graphics, and keywords with the product campaign. Their sole motive is to help our clients get the success they aspire!

**Written by:** Nitya Arora

**Mentor:** Samaksh Mehrotra