Measuring the incrementality of Paid Search
Agenda

1. Introduction
2. Why we tested for incrementality
3. Test set-up
4. Short-term impact
5. Long-term impact
6. Attribution
7. Next steps
Introduction
Introduction
Who are we?

Mitch Komen - Lead Digital Marketing a.k.a. Spending Mitch
- Focusing on profitable growth, increasing customer value and trading efficiency
- Background in Paid Search
- Cycling, tennis and football

George Radix - Marketing Analyst
- Making sure Mitch doesn't spend all our money
- Background in data analytics & digital marketing
- Field hockey, kitesurfing & golf
Introduction Wehkamp

1952 - first advertisement
1955 - first catalogue
1995 - first steps online
2010 - completely online
2018 - mobile first
2021 - Acquisition kleertjes.com
Wehkamp facts

- >300,000 different products
- >600,000 daily visitors
- 729.5 million sales 20/21
- >1,000 colleagues
- 11 million packages sent each year
- >2,500 brands
- 75% of all customers shop via mobile
Introduction paid search @ Wehkamp

- ERS (effective revenue share)  
  \[ \text{Paid Search costs / Total Wehkamp revenue} \]

- ROAS (return on ad spend)  
  \[ \text{Attributed revenue / Costs} \]

- POAS (profit on ad spend)  
  \[ \text{Attributed profit / Costs} \]

All credit to last touchpoint that is not direct load

Last non direct click model with a range of 7 days
Why test the incrementality?
Incrementality
/ɪŋkrɪˈmɛnt(ə)l/

adj
relating to or denoting an increase or addition, especially one of a series on a fixed scale.
"incremental changes to the current system"

- **MATHEMATICS**
  denoting a small positive or negative change in a variable quantity or function.
Why should we test the incrementality of Paid Search?
What’s the real value of our Paid Search spend?
Across categories, user groups and channels

- Short-term
- Long-term
- Attribution
Test Approach
GEO-Experiment

Pre-analysis of the share of revenue for our projected control/test split
Analytical Approach

Trend Analysis and Causal Impact method
Short term impact
Initial Traffic Effect

Immediate effect on traffic clearly visible
Total Observed Effect

Regardless of Attribution, these effects can be considered the incremental impact of paid search.
Lost traffic and SEA dependency highly correlated
Green line shows traffic loss, blue bar is costs divided by total revenue of category
Loyal customers less reliant on Paid Search

Pre-post period comparison, left shows less impact for loyal customers
Cannibalization
Immediate effect on traffic and demand for Organic Search
Short-term incrementality

We compare incremental results vs. 7 days last non-direct click attribution.

- **Return on ad spend**
  - 30% overvaluation

- **Profit on ad spend**
  - 8% overvaluation
Long term impact
New and Reactivated Customer Impact

Calculating the missed future value of customers not acquired in test period

New customers \times \text{Value of customers the next year} = \text{Long term impact}
Effect on active customer base

Linear relationship between number of orders placed in the last month and revenue generated year following.
Effect on active customer base

- Missed purchases of active customers
- Different value of customer groups the next year

Long term impact
Total SEA effectiveness
The incremental short-term effect is measured to be 8% below our current estimates. When adding acquisition and long term effects the incremental value doubles.
Attribution
Comparing to 7Days Last Non-Direct Click ROAS

- Incremental ROAS
- 7DLC attribution ROAS

Fashion
Non-Fashion
Total
Comparing to MTA

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<th>Incremental ROAS</th>
<th>MTA attribution ROAS</th>
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Next steps & Takeaways
Next steps

Implementation of Multi Touch Attribution
New source of truth in order to improve the assessment of the true value of channels

Multiplier per User Group
Adjust profit values in the offline conversion upload to our Bidding Algorithm based on incremental insights per Customer Segment

Future Value / SEA Toolbox
In order to make valid spend decisions we want to know what the elasticity on account level is and how deep the spend actually is based on modelling. Both as on short- and long-term.

Remarketing Incremental Test
As we relatively see less impact on engaged customers and over 80% of our orders via display retargeting are driven by engaged customers, we will set-up an incremental test to verify the spend.

Test the other way around
What if we increase the budget / bids?
Takeaways

**Move away from revenue steering**
Steer on profit metrics, of course if you have profit guardrails

**Test, test and test**
Validate your steering structure multiple times a year

**Measure incrementality without attribution on a total-level**
Look at the total impact of an ad click, so not only on the channel were the click came from

**Take long term value into account when you evaluating your spend efficiency**
New and reactivated customers, but as well your existing customer base

**Search for your data-driven attribution model**
Improve your steering structure by using your “incremental” attribution model

**First-party-data**
Use first-party data, like customer match lists for more in depth steering and insights on a customer level
Thanks!
Any questions?