Measuring the incrementality of Paid Search on a customer-level
1. Introduction
2. Incrementality & Elasticity
3. A customer approach
4. Experiments & Results
5. Next steps & Takeaways
Introduction
Introduction

Mitch Komen - Lead Digital Marketing

- Focusing on profitable growth, increasing customer value and trading efficiency
- Background in Paid Search
- Skiing, cycling, tennis and football
Introduction Wehkamp (Retail Group)

1952 - first advertisement
1955 - first catalogue
1995 - first steps online
2010 - completely online
2018 - mobile first
2021 - Acquisition kleertjes.com
**Introduction Paid Search @ Wehkamp**

- Integrate trading insights into the paid search strategy rather than only push (profitable) volume.

- Take *customer value* into account while managing the paid search campaigns.
Incrementality & Elasticity
What is incrementality for Paid Search advertising?

Incrementality in Paid Search advertising refers to the incremental lift or additional impact on a campaign's performance, specifically on conversions or other key performance indicators (KPIs), that can be attributed to the specific ads that were paid for and shown, over and above what would have happened without those ads.

In other words, **incrementality measures the additional value that Paid Search ads bring to a campaign**, beyond what would have occurred through organic search results or other channels. This metric helps advertisers understand the true return on investment (ROI) for their Paid Search campaigns and the effectiveness of their ad spend.

To determine the incrementality of a Paid Search campaign, marketers can use methods such as A/B testing, where they compare the performance of a group that saw the ads with a control group that didn’t, or multi-touch attribution models, which aim to identify the contribution of each marketing touchpoint along the customer journey.

By optimizing for incrementality, advertisers can focus on generating the maximum value from their Paid Search ads and allocate their budgets more effectively.
Pas aan naar GeoX

impressions

no impressions

Source: https://mackgreenfell.com/blog/conversion-lift-tests-are-dead-transitioning-to-geo-experiments
What’s the real value of our Paid Search spend?

Sales Volume
- Attribution
- Profitable Growth
- etc.

Trading
- Category
- Stock Data
- etc.

Customer
- Loyal
- Not so Loyal
- Inactives
But .... How much should we (optimal) bid per customer group?
A Customer Approach
Occasional:
1 or 2 orders in L12M

Engaged:
>= 3 orders in L12M

Recent customers
Potential Loyalists

Can’t lose them
At risk
Need attention
About to sleep
Hibernating

Increase retention
Increase engagement
<table>
<thead>
<tr>
<th>Segment name</th>
<th>Type</th>
<th>Source</th>
<th>Match rate</th>
<th>Membership status</th>
</tr>
</thead>
<tbody>
<tr>
<td>DB - rfm.01.champions</td>
<td>Customer list</td>
<td>Customer data</td>
<td>100%</td>
<td>High</td>
</tr>
<tr>
<td>DB - rfm.01.champions</td>
<td>Customer contact information</td>
<td></td>
<td></td>
<td>Open</td>
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<tr>
<td>DB - rfm.02.loyal.customers</td>
<td>Customer list</td>
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<td>High</td>
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<td>Open</td>
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<tr>
<td>DB - rfm.03.potential.loyalists</td>
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<td>High</td>
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<tr>
<td>DB - rfm.03.potential.loyalists</td>
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<tr>
<td>DB - rfm.04.promising</td>
<td>Customer list</td>
<td>Customer data</td>
<td>100%</td>
<td>High</td>
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<tr>
<td>DB - rfm.04.promising</td>
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<tr>
<td>DB - rfm.05.recent.customers</td>
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<td>High</td>
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<tr>
<td>DB - rfm.05.recent.customers</td>
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<td></td>
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<tr>
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<td>Customer list</td>
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</tr>
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<td>DB - rfm.06.cant.lose.them</td>
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<td></td>
<td>Open</td>
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<tr>
<td>DB - rfm.07.need.attention</td>
<td>Customer list</td>
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<td>100%</td>
<td>High</td>
</tr>
<tr>
<td>DB - rfm.07.need.attention</td>
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<td>Open</td>
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<tr>
<td>DB - rfm.08.about.to.sleep</td>
<td>Customer list</td>
<td>Customer data</td>
<td>100%</td>
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<tr>
<td>DB - rfm.08.about.to.sleep</td>
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<td></td>
<td>Open</td>
</tr>
<tr>
<td>DB - rfm.09.at.risk</td>
<td>Customer contact information</td>
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<tr>
<td>DB - rfm.09.at.risk</td>
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<td>Open</td>
</tr>
<tr>
<td>DB - rfm.10.hibernating</td>
<td>Customer list</td>
<td>Customer data</td>
<td>100%</td>
<td>High</td>
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<tr>
<td>DB - rfm.10.hibernating</td>
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<td></td>
<td>Open</td>
</tr>
<tr>
<td>DB - rfm.11.inactivate.customers</td>
<td>Customer list</td>
<td>Customer data</td>
<td>100%</td>
<td>High</td>
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<tr>
<td>DB - rfm.11.inactivate.customers</td>
<td></td>
<td></td>
<td></td>
<td>Open</td>
</tr>
</tbody>
</table>

**Match rate** 100%

Most advertisers’ match rates are between 29% and 62%. To improve your match rate, make sure you’re formatting and encrypting your list properly. Learn more
Your customer list has been successfully saved

- Of the 471,798 rows uploaded, 471,797 were formatted correctly (100%)
- Google Ads will match your data to your customers on Google’s networks. Learn more
- You can add this list to your targeting now, but matching can take up to 24 hours to finish
- When matching is complete, your ads can start showing to your new audiences. Lists must have at least 1000 matched users for them to serve.

![Match rate 100%](image)
Bid adjustments and Target ROAS

Bid adjustments allow you to show your ads more or less frequently based on where, when, and how people search. Because Target ROAS helps optimize your bids based on real-time data, your existing bid adjustments aren’t used. There is one exception: You can still set device bid adjustments of -100%.

**Note:** You don’t need to remove bid adjustments—they just won’t be used.
Primary condition: Select your rule's primary condition

Audience:
- All audience segments
- Enter audience segment

Search Browse
- How they've interacted with your business
  - Customer lists
    - DB - rfm_09_at_risk
    - DB - rfm_10_hibernating
    - DB - rfm_11_inactivate_customers

Value: Select the value adjustment that will apply to your base conversion value

Multiply: 2
Experiments & Results
Split the segments into a test- and control group

**Test Group**
Use multiplier
e.g. 2 on inactives

**Control Group**
Do not use multiplier
Immediate effect on avg. CPC for inactive customers after implementation multiplier of 2
# Experiment 1: Inactive Customers

(multiplier of 2)

<table>
<thead>
<tr>
<th>Test vs. Control</th>
<th>Clicks</th>
<th>Avg. CPC</th>
<th>Costs</th>
<th>Re-activated Customers</th>
<th>Customer Acquisition Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attributed Results</td>
<td>+140%</td>
<td>+57%</td>
<td>+276%</td>
<td>+69%</td>
<td>+119%</td>
</tr>
<tr>
<td>Incremental Results</td>
<td></td>
<td></td>
<td></td>
<td>+10%</td>
<td>+264%</td>
</tr>
</tbody>
</table>

**Additional CAC =** Additional Costs / Customers  
Example: €144K / 4.6K = €31.30

**>> Future Value**  
Based on cohort analysis  
est. profit in NY after reactivation
## Experiment 2: Loyal Customers *(multiplier of 0.75)*

<table>
<thead>
<tr>
<th>Test vs. Control</th>
<th>Clicks</th>
<th>Avg. CPC</th>
<th>Costs</th>
<th>Loyal Customers</th>
<th>Customer Acquisition Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attributed Results</td>
<td>-30%</td>
<td>-19%</td>
<td>-44%</td>
<td>-20%</td>
<td>-29%</td>
</tr>
<tr>
<td>Incremental Results</td>
<td></td>
<td></td>
<td></td>
<td>-0.04%</td>
<td>-43%</td>
</tr>
</tbody>
</table>
## Experiment 3: Not So Loyal Customers *(multiplier of 1.5)*

<table>
<thead>
<tr>
<th>Test vs. Control</th>
<th>Clicks</th>
<th>Avg. CPC</th>
<th>Costs</th>
<th>Not So Loyal Customers</th>
<th>Customer Acquisition Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attributed Results</td>
<td>+69%</td>
<td>+31%</td>
<td>+122%</td>
<td>+39%</td>
<td>+59%</td>
</tr>
<tr>
<td>Incremental Results</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Concluding

Optimal bidding point for Loyal Customers towards incrementality

Invest “saved” €€ from Loyal Customers towards not so Loyal Customers

Powerful tool to re-activate customers, but it’s expensive
Next steps & Takeaways
Next steps

Implement in Offline Conversion Import

Instead of Conversion Value Rules, concern: how will affect this (non) customers that are not in the customer match lists based on the smart bidding signals like demographics, geographics etc.

Improve Multi Touch Attribution

Should we implement the “Customer Value” into our MTA model?

Increase “Targetable” Customers

How can we increase the amount of targetable customers in the Customer Match lists?

Test with fixed multipliers

For example within the “inactive” customer base

Implement in other channels

How can we adopt this way of steering into other (digital) channels?
Takeaways

First-party-data
Use first-party data, like customer match lists for more in depth steering and insights on a customer level

Challenge your attribution model
Even when it's a DDA / MTA model - it does not always takes “Customer Value” into account

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 (and attributed conversion) came from

Take long term value into account when you evaluating your spend efficiency
Most important for your new and reactivated customers

Incrementality ≠ Elasticity
Incrementality is great, but it does not tell you what the optimal bidding point is
Thanks!
Any questions?