

DIFFERENTIATING AMAZON

4 LESSONS FROM BUSINESSES DOING IT RIGHT

MERCHANT STRATEGIES



nozzle

Differentiating Amazon Merchant Strategies

4 lessons from businesses doing it right

In 2020, the eCommerce sector boomed, with lockdown and social distancing measures accelerating the already-quickenening digital shift. In light of this growth, Amazon has become more important to retail than ever before. After all, the platform is the most common starting point for US internet shoppers looking for a specific product, and it's estimated to be responsible for 40% of online sales.

For brands looking to build traffic and boost sales, Amazon delivers, providing relatively easy entry to a ready-made platform, unique advertising opportunities, and high-quality fulfillment and logistical services. However, finding true success on an Amazon scale is not a straightforward process. It requires the right skills, software, and practices. It also means developing Amazon-specific techniques and strategies for understanding competitors, customers, and products.

Helping Amazon merchants drive success

At Nozzle, we are all about helping brands succeed on Amazon. As a strategic partner and a SaaS provider, our value is the same: focusing on the data that matters to help you make informed decisions that deliver better business outcomes. To that end, we offer:

- **PPC audit services:** For brands that want a quick understanding of revenue opportunities and wasted PPC ad spend.
- **Advertising bid management services:** PPC managed service and tools for brands that want help transforming PPC audit insights into actions, or that need general help to improve PPC outcomes.
- **Analytics tools:** For brands focused on understanding their customers and gaining detailed insights into more effective strategies – specifically, gaining an accurate understanding of customer lifetime value and the purchase paths of customers on a product-specific level.
- **Consulting services:** For brands that simply know they need help with their Amazon strategy but don't know where to start.

Why this eBook?

Whether you're just getting started or looking to improve your existing strategy, this eBook is for you. Most of the examples used here are of Amazon Sellers. However, nearly all of the lessons apply in equal measure to both 3P Sellers and 1P Vendors – you simply need to think about the advice in the context of the choices you have available to you on Amazon.

We understand that merchants that are new to the platform need help to orientate themselves around best practices, while established merchants need new ways to differentiate themselves within an increasingly competitive marketplace. In service of these goals, we've developed a number of proven strategies to help our customers grow, boost profitability, and form longer-lasting connections with their customers.

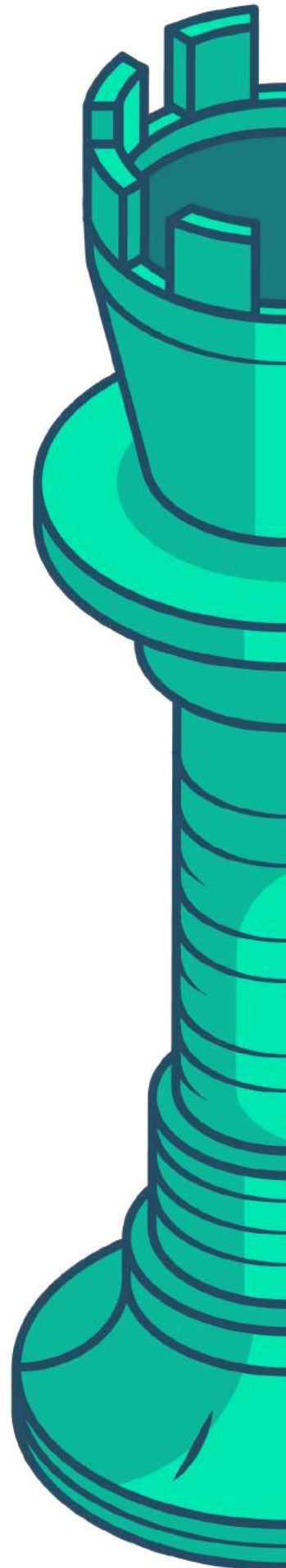
In this eBook, we will provide advice on how to stand out from the crowd, drive efficiency, and achieve commercial success on Amazon. In doing so, we'll offer prescriptive advice on Amazon best practices. However, we'll supplement these practical tips with examples of successful Nozzle customers – highlighting how we applied the lessons to help them find that success.

**Ready to learn from
businesses doing it right?
Let's get started!**

“We set the team at Nozzle the challenge of growing one of the biggest global CPG brands on Amazon UK. In three-months partnering with us, they analyzed our client's ads and retail data, created and implemented a new strategy and helped deliver record results. The client was truly blown away!”

Neilson Hall

EMEA Director, IPG.

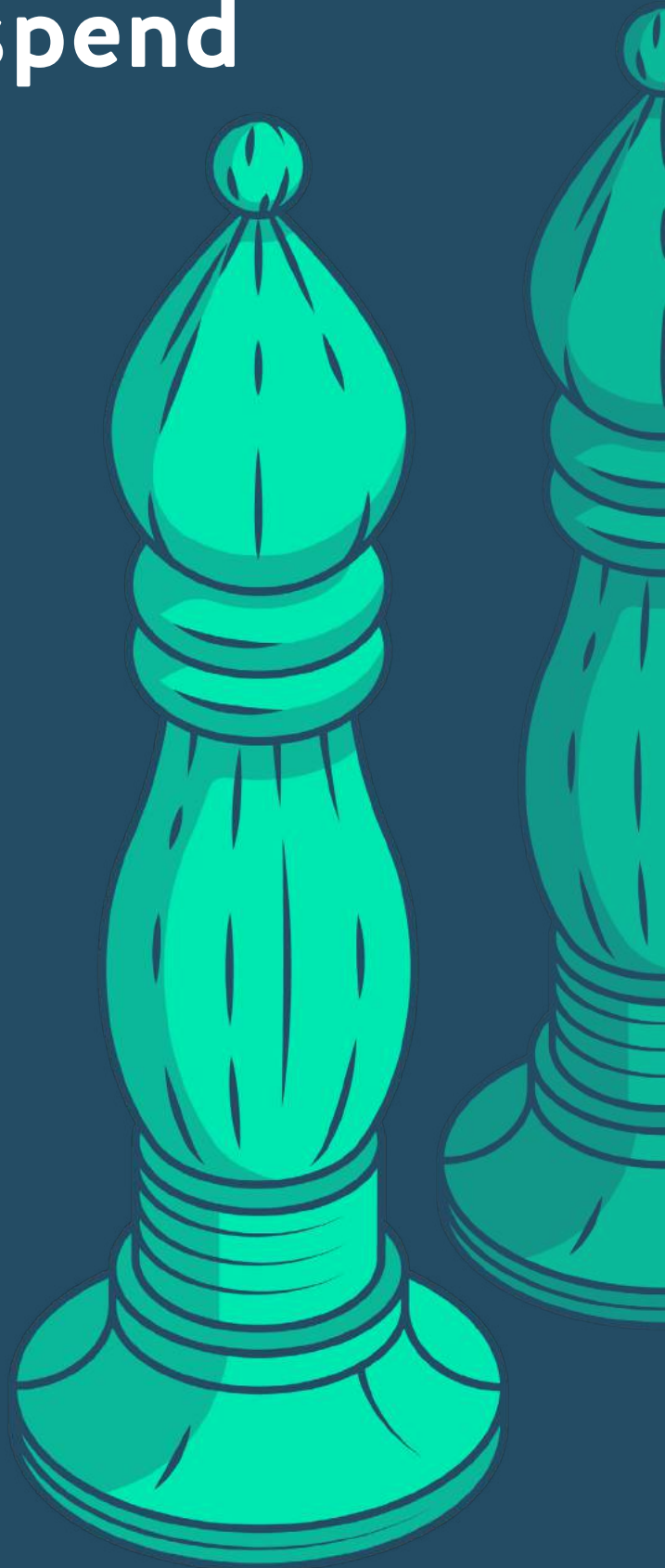


Lesson 1:

Optimize PPC spend

The first thing any brand needs to understand about Amazon is how to improve the efficiency of their **pay-per-click (PPC)** spend. As you probably already know, Amazon PPC ads are charged on a cost-per-click (CPC) basis. This model means that the CPC cost-point – along with your conversion rate (orders/clicks) – will significantly impact your overall ad spend. After all, ads that are clicked but don't result in a sale will damage your total profit margin. Unfortunately, many brands fail to strategize effectively and then pay the price for sloppy PPC – relying too heavily on auto campaigns that waste budget and fail to maximize results.

Of course, there is a way to minimize PPC waste. **Search term optimization** is exactly what it sounds like: the process of optimizing search terms. In the context of Amazon, this term more precisely refers to a bidding strategy that seeks to isolate key search terms and focus resources on the best converting and most relevant search phrases, minimizing waste and maximizing the impact of spending. It's worth noting that executing some of our subsequent lessons will require you to compromise on fully committing to a search term optimization strategy. That said, search term optimization still functions as an essential set of best practices when it comes to PPC.





The process of search term optimization has five main steps:

Step 1: Set up a product-specific, auto campaign. Let this campaign run for a set period.

Step 2: Review your auto-campaign results using the Search Term Report in Amazon Advertising and identify your best-performing and worst-performing search terms.

Step 3: Decrease bids on underperforming but relevant terms, and use negative keywords to remove irrelevant terms and your best-performing terms from your auto campaign

Step 4: Create new exact match manual campaigns targeting only your best keywords and a product-by-product basis – remember, to remove these terms from your auto campaigns (see Step 3)

Step 5: Review results and repeat the process.

As you experiment with search term optimization, you might also consider lowering bids as a way to test the actual “floor” for each search term and manually adjusting those bids to ensure that you’re minimizing expenditure. You can stretch a limited PPC budget further with cutting-edge PPC tools, like Nozzle’s advertising bid management services, that provide dayparting and AI-driven bid calculation functions.

Additional resources: We’ve produced a number of videos that you can view for a detailed and step-by-step guide to executing this strategy.

- [Search Term Optimization](#)
 - [Nozzle’s Search Term Migration Rules Explained](#)
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Using exact match bidding to optimize PPC spend

Auto PPC campaigns are a valuable tool for researching bidding and keyword strategies. However, they don't provide the precision that manual strategies enable. And the choices don't stop there.

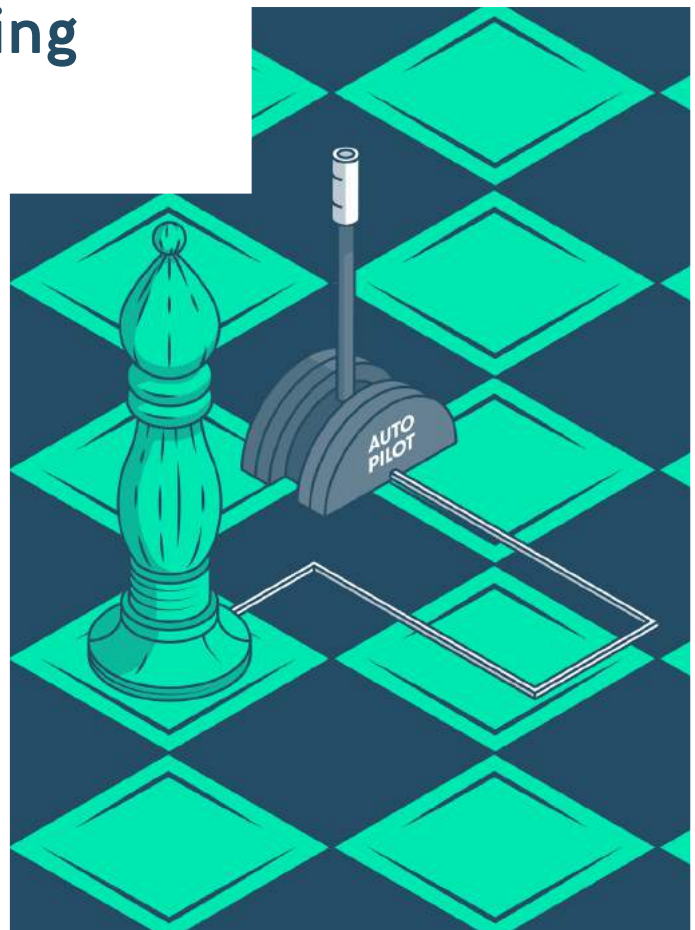
Within a manual PPC campaign, you must first decide whether to target by keywords or by product. And when bidding on keywords, you'll need to determine whether your keywords will appear in search results with a broad match, phrase match, or exact match.

To a large degree, a search term optimization strategy revolves around exact match PPC bidding, which allows you to target your bidding on keywords with the strongest conversion rate and/or lowest ACoS/highest RoAS.

With both phrase match and broad match, you are forced to bid for a bucket of terms, which are priced as a group. Specifically for longtail terms, you're faced with higher bid prices pegged to the more generic terms in that list. On the other hand, exact match enables you to isolate specific search terms, target them for maximum effect, and then track and test outcomes. (Again, check out the videos above for a visual explanation).

Exact match bidding allows you to:

- Maximize conversions, which maximizes the efficiency of ad spend
- Get the most competitive bid for a term



When done right, this means that exact match bidding can increase conversion while decreasing bid costs. However, it's critical to execute this strategy carefully; otherwise, exact match bidding can damage your product's visibility. It's up to you to pick the right keywords and the right bid price, and doing that ultimately comes down to your understanding of data – something we'll return to later.

- **Pro tip:** The best search term is a low-cost and high-converting term. These two criteria don't always align, but generally speaking, the highest-converting search terms are the most relevant and most specific. This combination results in a lower volume, which makes them cheaper. However, you need to make sure that there is enough volume to bring in results in the first place.

PPC optimization in action

Isolating search terms to optimize bids: The supplement business is incredibly competitive on Amazon – and this is something Nature Provides knows all too well. Our aim in partnering with them was to improve sales and profitability of their existing products, as well as help them launch new products. Originally, Nature Provides had different match types (exact and broad) within the same campaign, causing overlapping search terms. With the Nozzle platform, we restructured their campaigns, ensuring there was only one match type per campaign. Isolating the search terms allowed us to optimize the bids, reducing Advertising Cost of Sale (ACoS) and driving sales.

Results: Ad sales grew by 80% and ACoS reduced by 24%.



“We have been working with the Nozzle team for three-months, and in that time they have driven some incredible results for our brands. The supplement business is incredibly competitive on Amazon, but through their software, service and skillset they have helped us launch new products in both existing and new markets, and grow our brand.”

Gavin Bloemen

Co-Founder, Nature Provides

Using budget wisely: Male fitness brand ASM Fitness came to us looking to grow ad sales. We deployed our PPC audit tool to reveal the need to cut down the brand’s auto campaign budget. Although good for research, this campaign simply had too much budget allocated to it. Applying our advertising bid management service, we rebalanced the budget in favor of the converting terms from the auto campaign, which were set up as a separate – and much more successful – exact match campaign.

“Not only did my return on investment increase significantly, but I saved a bunch of time and learned best practices in the process. I highly recommend Nozzle.”

Mohamed Jajbhay
CEO, AMS

Results: Ad sales increased by 17% in one month and ACoS dropped by 22% from the previous month to 25%.



Continuously improving performance: The home decor brand, River of Goods, wanted to improve their campaign performance by reducing ACoS and growing sales with minimal effort. We used our PPC audit tool to identify key insights. We then performed day-to-day optimization to improve the campaign performance. This involved negating search terms, moving search terms from auto to exact, and restructuring campaigns.

“I would highly recommend Nozzle, whether you are an established business or fast-growing start-up, they are able to accommodate the business needs and be a true partner!”

Tiffany Serbus

Director of Ecommerce,
River of Goods

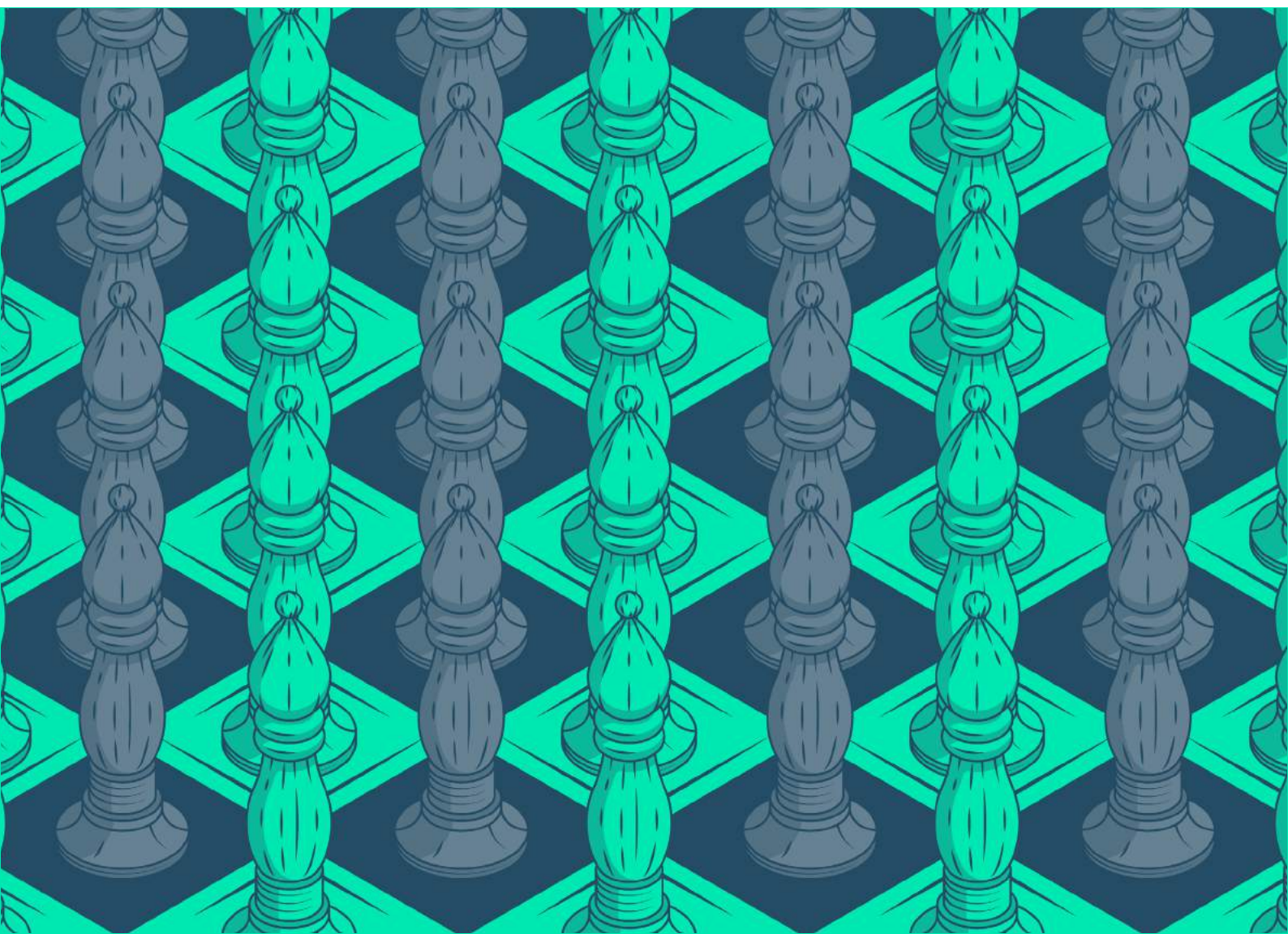
Results: After just 30 days, these efforts drove a 20% increase in ad sales, a 22% increase in conversion rate, and a 5% reduction in ACoS. Some individual ASINs saw an increase of 150% in ad sales with a 40% increase in conversion rate.

↑20%

AD SALES UP 20% IN 30 DAYS

↓5%

ACOS DROPPED BY 5%



Lesson 2:

Use PPC to drive business objectives



PPC is a primary tool for Amazon success. And yes, PPC is about maximizing profits, but it's also about so much more. For example, unlike Google ads, Amazon PPC can influence your organic ranking on a product-specific and search term-specific basis – making PPC an integrated part of a holistic Amazon strategy that goes beyond individual advertisements. Getting the most out of your campaigns requires going beyond the need for mere efficiency. Thinking strategically about your PPC spend will enable you to target and deliver on your broader business objectives.

When done right, search term optimization can simultaneously deliver on several goals. For instance, a leading beauty products brand came to us with the multi-pronged goal of increased sales and profitability and decreased ACoS. We delivered on this goal by restructuring all of their products in an optimal campaign, which allowed us to focus and optimize converting terms. In particular, we re-allocated over 90% of the ad budget towards high-converting non-branded terms. In just four months, this new approach grew ad sales by €250k and reduced ACoS by 17%.

Still, it's important to note that pulling different levers at different times can deliver significant variations in outcome. To land on the outcomes you want, you must think critically and understand how different the various advertising options available to you can drive different goals.

Here, we'll look at four of these goals: driving organic traffic, achieving market growth, maximizing profitability, and encouraging repeat purposes.

- **Pro tip:** No matter what strategic goal you are pursuing, it's important to keep in mind your “break-even ACoS”. This is your pre-advertising margin for a given product, and is the maximum amount you can spend on advertising and still turn an immediate profit. Although there are reasons to accept short-term losses (e.g. cultivating long-term customers, launching a new product, aggressively expanding market share), it's an important metric to keep in mind. You can find more details on long-term break-even ACoS strategy in Lesson 3.

Goal #1:

Driving organic traffic

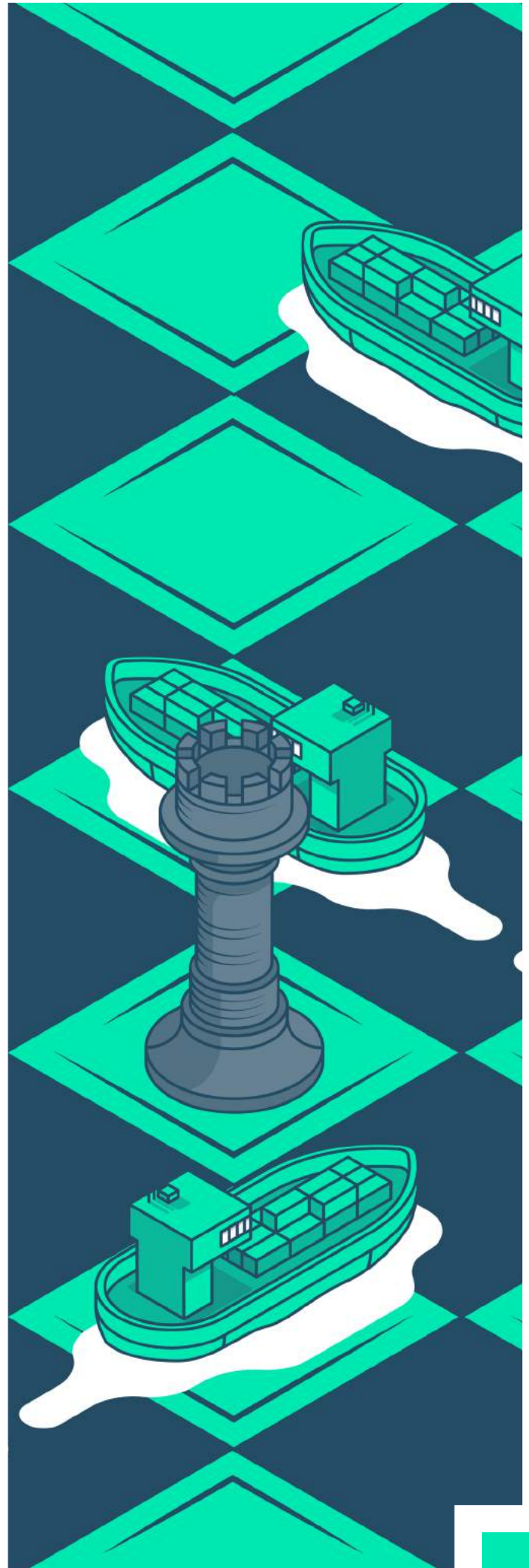
Unique to Amazon, PPC has a significant impact on organic traffic. This isn't overtly stated by Amazon, but it's a phenomenon that we have observed. The theory is that the A9 algorithm uses **sales velocity** as a stand-in for relevance, and as one factor (of several) in determining ranking.

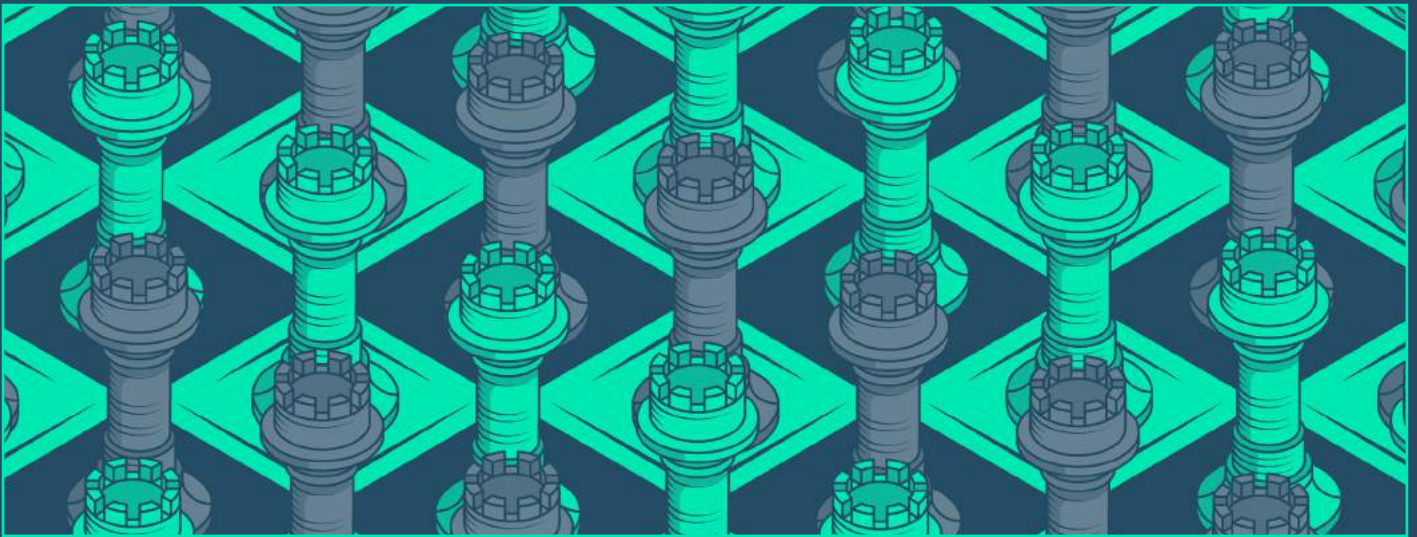
Sales velocity is a measurement of how fast you're making money. The standard equation for calculating sales velocity is:

$$\text{Sales Velocity} = \frac{(\text{Number of Opportunities} \times \text{AoV} \times \text{CVR})}{\text{Length of Sales Cycle}}$$

*On Amazon, the "Number of Opportunities" is best represented by "sessions."

PPC can boost sales velocity by increasing your ranking for critical search terms on a pay-per-click basis. This can increase your overall number of sales, while effective PPC targeting can boost your ad conversion rate on a search term-specific basis. By driving more sales and a higher percentage of conversions, you will increase the value of your listings to Amazon – and this should lead to higher organic rankings.





Not only have we seen this strategy work, it makes logical sense. Amazon wants to maximize sales, and conversions for specific search terms demonstrate the comparative relevance of your product. This creates a pay-to-play situation in which PPC becomes central to your broader Amazon strategy. There are two practical components to driving organic traffic:

1. Conversion rate optimization:

Using search term optimization to isolate your PPC bids to the best-converting terms can dramatically increase conversion rates. This is most applicable to the use of Sponsored Product ads and is a critical technique to drive various strategic PPC goals.

2. Overall sales and impressions:

By targeting high-volume terms, you can increase the total number of conversions, improving your total sales velocity.

Realistically, these two priorities will often stand in opposition to one another. The highest converting terms are probably not the highest traffic terms. When you need to make a trade-off, you should prioritize conversion rate (which is a proxy for relevancy) if your goal is to grow organic traffic over the medium-to-long-term. However, your goal may be different if doing a product launch, or otherwise focusing on short-term results.

As you seek to drive organic traffic, you should also keep in mind the following:

The role of conversions: Amazon learns about your products from your customers and the search terms they used to find your products. Amazon's primary goal is to drive sales, so they are motivated to put listings at the top of search results that are most likely to convert shoppers. PPC ads enable you to pay to get on these search results pages. If those ads convert for those terms, Amazon will begin to associate that product with that term – which then feeds back into organic ranking.

Aspirational and non-branded terms:

Search term optimization should help you focus on the most relevant terms. However, you want to think aspirationally about what terms you want to rank for – particularly non-branded terms. Non-branded terms increase your total addressable market by exposing you to new customers – and tend to be higher volume terms. Bidding on those terms can increase the number of conversions for those terms, associating that product with those terms.

Asperationally bidding on non-branded terms can pay off, but you still need to proceed with caution. Bidding on irrelevant terms can cause your conversion rate to plummet, which will damage your rankings. Make sure to check which products are actually ranking for a term in order to cross-check that the term in question doesn't have multiple meanings.

- **Pro tip:** Do a reverse ASIN lookup on your competitors ASIN's to see which terms they are ranking for in order to help you choose what terms you should bid on.

The right metrics: Choosing the right metrics is the key to making the right choices. **Total advertising cost of sale (TACoS)** is the primary metric for understanding how PPC impacts organic results. Rather than simply focusing on ad sales like standard ACoS, TACoS also takes into account organic sales

to calculate the true cost of advertising within the context of the total sales of a product. This is highly valuable context, particularly when observed over time.

At the very least, you want your TACoS to remain flat, and ideally, you want it to decrease long-term. Decreasing TACoS indicates that your organic sales are becoming a more significant part of your total revenue. Of course, there are some circumstances – such as a new product launch – where both TACoS and ACoS will increase for a short period, but as the organic volume for the new product picks up, TACoS should decrease.

Although a low TACoS demonstrates healthy organic traffic, a TACoS that's "too low" can also indicate underinvestment in advertising opportunities. For example, a TACoS well under 5% likely shows an ability to drive growth and profit with more PPC spending.

For example: With one of our clients, a major US skincare brand, we were able to improve their organic ranking across several products by executing a combination of these strategies. We redirected their budget from the existing 95% spend on branded terms to 75% spend on non-branded "category" terms. Not only did this improve organic ranking within three-months, it helped increase their market share and grew their month-on-month total sales by 43%, and year-on-year total sales by 289%.

Goal #2: Achieving market growth

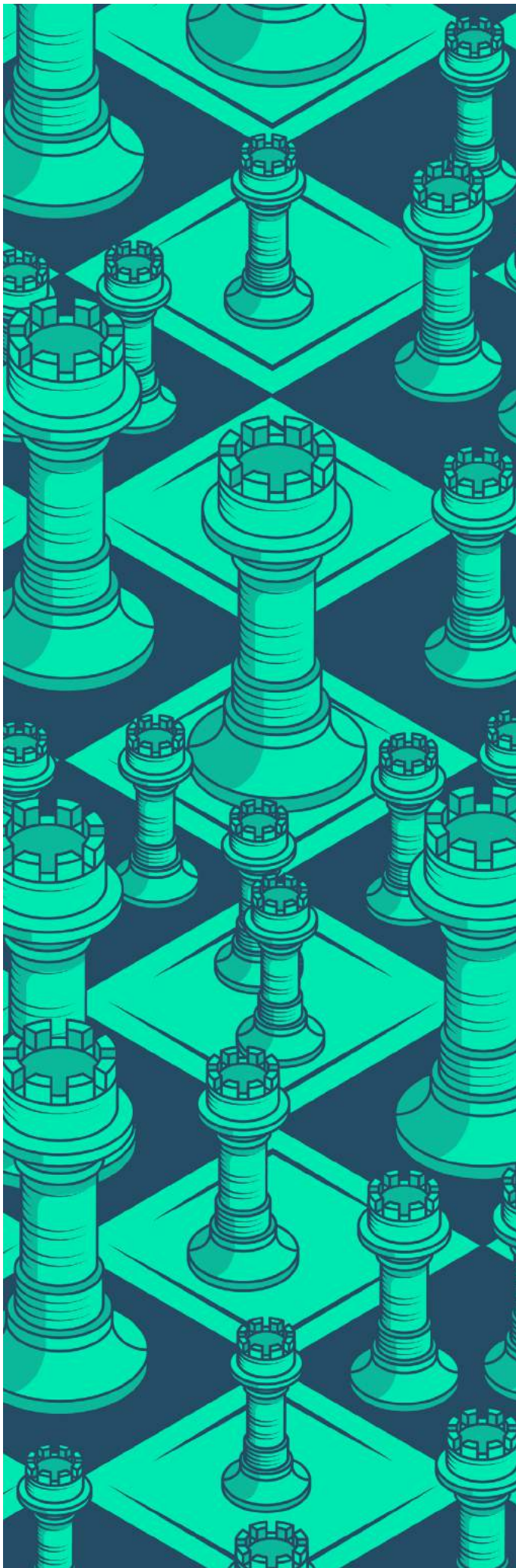
A standard use for all kinds of PPC advertising is to increase your market share. It's worth noting up front that expanding your market share and acquiring new customers requires accepting a higher ACoS – but this is in the service of maximizing growth, and the cost should come down in the long-term.

As an awareness strategy, growing your market involves embracing the full range of ad types – **Sponsored Products**, **Sponsored Brands**, and **Sponsored Display** – to maximize visibility across Amazon.

	Sponsored Products	Sponsored Brands	Sponsored Display
Content	Product listing	Product carousel, logo and message. There are also video options	Product banners, logo and message
Placement	Search result page and product detail page	Above and below result	Product detail page, search results pages and external to Amazon
Targeting	Automatic, ASIN, keywords, price and Prime rating	Keywords, brand and category	Audience interests, views (remarketing), and products
Routed to	Product detail page	Store, landing page or product detail page	Store, landing page, or product detail page

Tactically, achieving market growth requires taking an aggressive approach and bidding on high-volume, high-value terms, including branded terms, competitor terms and non-branded terms – which are also sometimes called “category terms”. Of course, winning on these placements won't come cheap, but careful targeting and savvy bidding strategies through the use of search term optimization can keep these costs down.





Once again, relevancy reigns supreme here. Bidding on irrelevant terms will not help you grow your market. You also need to consider what, precisely, you are targeting:

Competitor branded search terms:

To grow the market share, you can target your competitors on a branded level using Sponsored Brand and Sponsored Product ads. Sponsored Brand ads work well for generic targeting of branded competitor search terms, while Sponsored Products are an effective way of targeting product-specific branded search terms. You could also use a reverse ASIN lookup on your competitors ASIN's to see which terms they are ranking for in order to help you choose what terms you should bid on.

Competitor ASINs: Both Sponsored Product and Sponsored Brand ads enable you to target ASINs. Your ads then appear on the corresponding product pages. If you have a competitive advantage against specific ASINs (e.g. products with a lower rating, higher price or fewer reviews), targeting them is a great way to pull market share directly from your competitors' product pages. Sponsored Display ads allow you to target product categories (not specific ASINs) which is another way to get ad placement

on competitor product pages. Although less targeted, this is a good additional option, and can help you get started if you haven't identified specific ASINs to target.

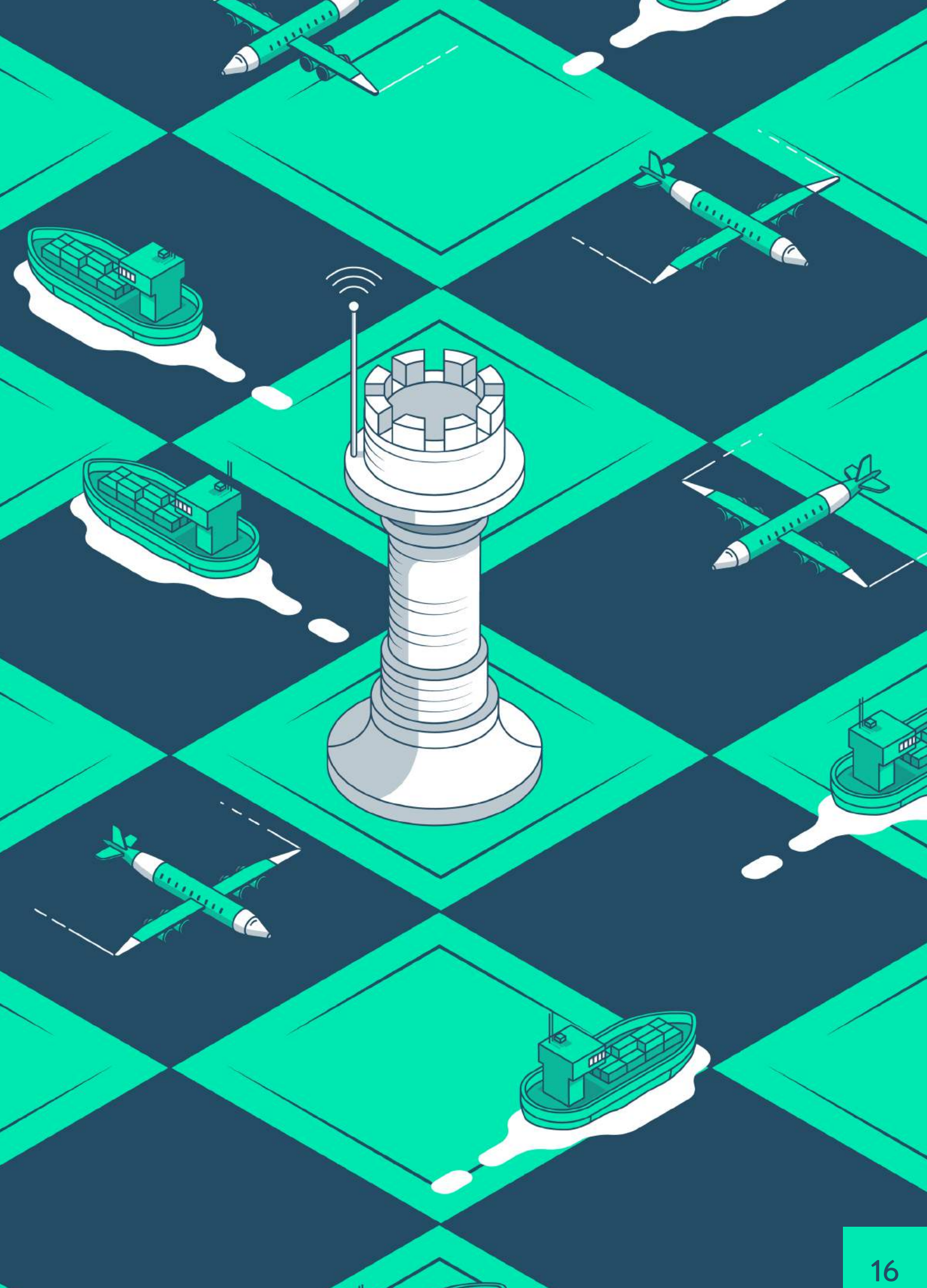
Non-branded keywords: Targeting high-value non-branded items can be just as vital to your strategy as competitor targeting. Fundamentally, this is the best way to expand your market reach and connect with new customers. This is similar to the type of targeting that enables you to use PPC to drive organic traffic. But when focused on growth, you can bid much higher on these terms while still advancing your primary strategic goal. This makes it easier to bid on high-volume terms and hyper-relevant, competitive niche terms.

As you look at growing your market share, it's important to remember the role of structure in campaigns. Ultimately, it'll be easier to manage your target ACoS (the benchmark against which you can judge the profitability of your campaign) and bid strategies if you're clear about your goals and aims. This will require separating campaigns intended for growing your market from your other campaigns. Bid optimization services, like Nozzle's, can come in handy here, as they help you harness the power of AI to algorithmically update bids to maximize various goals, including conversions, impressions, or ACoS targets.

- **Pro tip:** For Sponsored Brand ads, using the **Impression Share** metric

– which can tell you whether a higher bid will gain more impressions – is particularly useful for your bidding strategy. For instance, if you have a lower impression share and a low ACoS, you will have more to gain by bidding higher to get those untapped impressions. You can also use this data as a general benchmark for considering Sponsored Product ads, and it helps you estimate search volumes for specific search terms – something that Amazon doesn't reveal directly.

For example: We were approached during 2020 by a leading supplements brand to help increase their market/category share within this competitive space on Amazon. We created a range of campaigns harnessing every ad option, and specifically created dedicated campaigns for high-volume keywords to improve conversion rates and ultimately increase their organic ranking. The outcome was a 100% increase in ad sales and a 200% growth in impressions and year-on-year total sales by 289%.



Goal #3:

Maximising Profitability

PPC can also help you maximize profitability. This might seem paradoxical – advertising spend inherently eats into profit margin. However, effective targeting can increase your total number of sales while minimizing ACoS to increase marginal profitability, either on a product-by-product basis or across the board to maximize your overall profit potential. This involves keyword targeting and a focus on conversion rate.

From the standpoint of profit, the best search terms involve two criteria:

1. A high conversion rate:

High-converting search terms drive sales, and sales drive profit. Identifying and targeting high-converting terms will enable you to optimize your ad spend by maximizing your ads' effectiveness.

2. Low-cost search terms: Assuming they have a decent conversion rate, low CPC terms can help you deliver the outcomes you want at the lowest possible price-point. This contributes to increased profit-margin and increased sales.

Ultimately, maximizing profitability comes back to using a smart search term optimization strategy. By targeting the highest converting search term, and using bid optimization tools that minimize your spend, you can generate sales at the lowest possible cost point.

- **Pro tip:** Dayparting is the scheduling of ads for certain periods (time of day, or days of the week) to more effectively target audiences. This is a function that we provide through our **advertising bid management services**, and is critical for further optimizing your PPC budget by targeting periods with the highest conversions. You can use a similar trial-and-error process of data collection (like with search term optimization) to identify the best times to target.

Did you know that 2/3 of supplement sales happen between Sun-Tues and 65% of coffee sales happen mid-late morning.

For example: We were approached by a leading UK lifestyle and cosmetics brand to grow Amazon sales across the EU4, and then increase profitability to bring continental sales in line with their strong UK performance. Following a standard optimization campaign, we brought the focus back to profitability (while still growing market presence) by allocating over 90% of their ad budget towards high-covering and non-branded terms. The result was a growth in ad sales by €250k in 4-months while reducing ACoS by 17%.



Goal #4: Encouraging repeat purchases

PPC also makes it possible to retarget existing customers to increase repeat sales, driving both market growth and profitability. In particular, Sponsored Display ads provide unique retargeting features – including helping you target users based on search history – that you can deploy within your broader strategy.

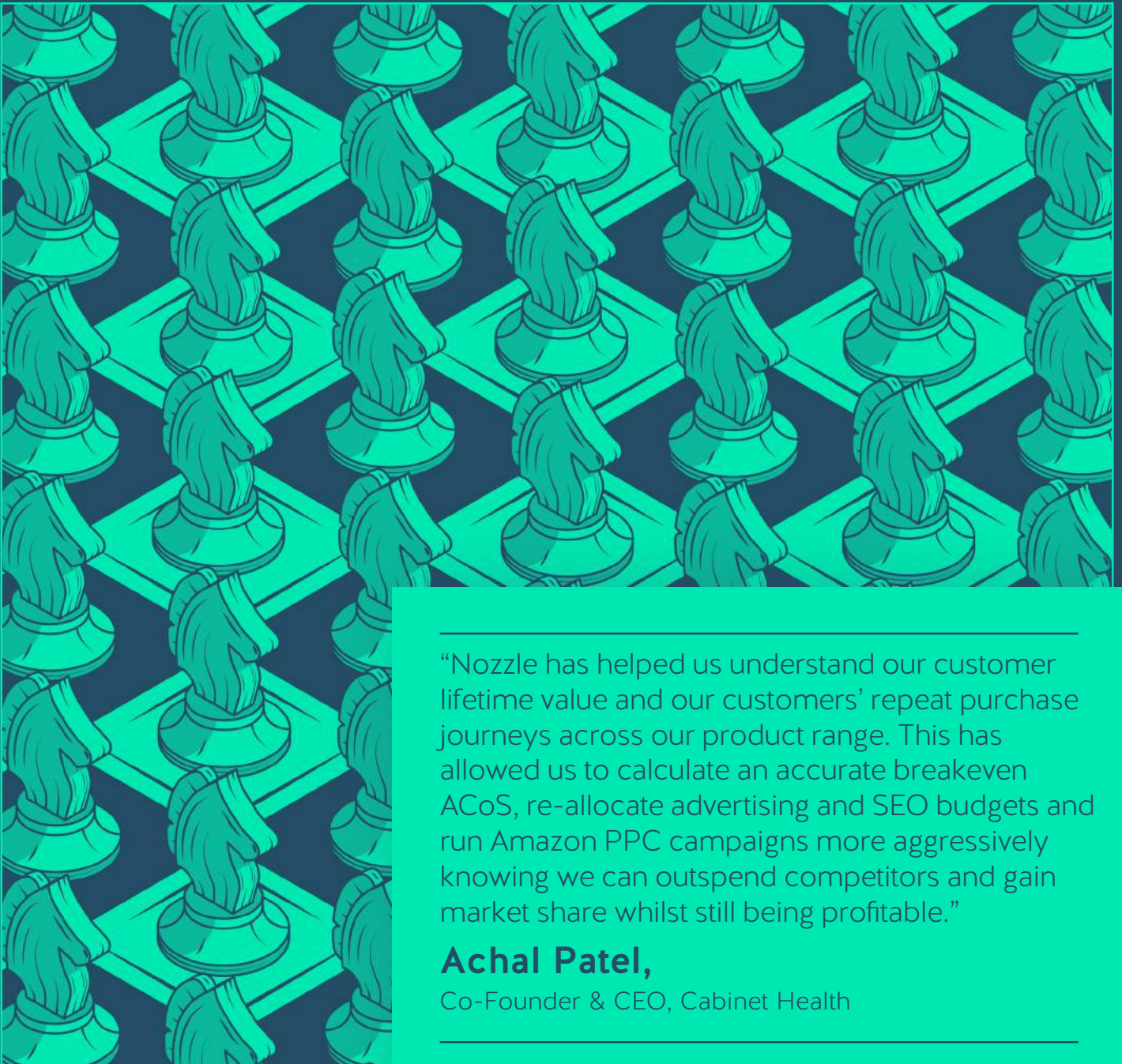
That said, driving repeat purchases through PPC is a complex and multifaceted process, requiring advanced analytics software to execute effectively – a central focus of our Analytics services. However, a robust retargeting strategy supported by cutting-edge analytics tools is worth the investment, as it can help increase your customer lifetime value (the total value generated per-customer across the scope of that relationship) and provide several additional benefits, all of which we'll explore in Lesson #3.

For example: We used our Analytics product to help one client, a UK health supplements brand, improve their organic rankings and gain granular insights into customer behavior. Thanks to these efforts, ad sales increased by more than 100%, impressions increased by 260%, and the number of repeat purchase customers began steadily growing.

- **Pro tip:** You need to remember that you don't, ultimately, want to drive repeat purchases directly using PPC – this will cost advertising spend every time. Rather, the goal is to drive new-to-brand customers for ASINs that have strong repeat purchase performance. This will increase the number of organic repeat purchases over time, and drive down your long-term ACoS while driving up long-term profits.

Lesson 3:

Harness customer data to generate a competitive advantage



“Nozzle has helped us understand our customer lifetime value and our customers’ repeat purchase journeys across our product range. This has allowed us to calculate an accurate breakeven ACoS, re-allocate advertising and SEO budgets and run Amazon PPC campaigns more aggressively knowing we can outspend competitors and gain market share whilst still being profitable.”

Achal Patel,

Co-Founder & CEO, Cabinet Health

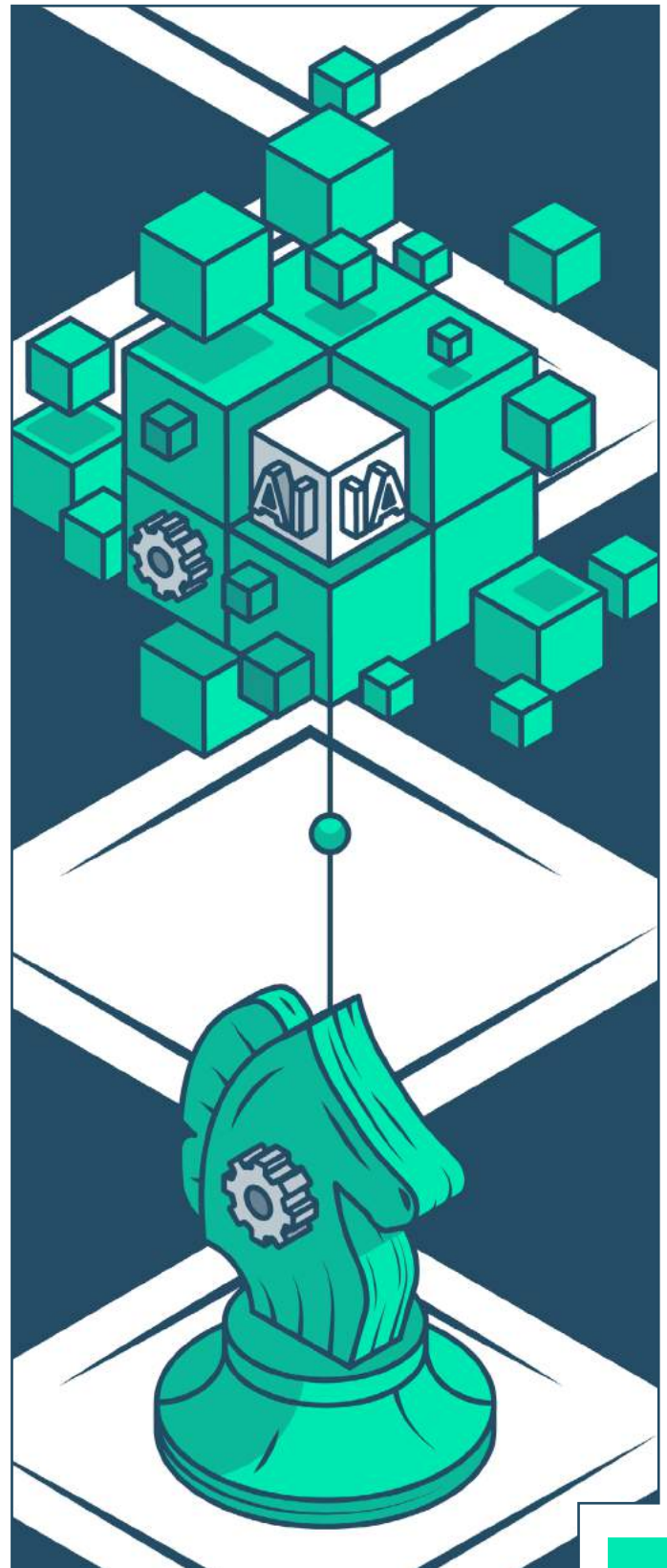
Analytics tools enable merchants to harness customer data to generate a competitive advantage. Most importantly, these tools enable you to capitalize on the benefits of **Customer Lifetime Value (CLV)**, a metric that measures the overall profit generated by a customer. It's an old rule of business that retaining an existing customer is cheaper and easier than attracting a new one – and building up a reliable base of repeat customers is a great way to grow your brand and revenue.

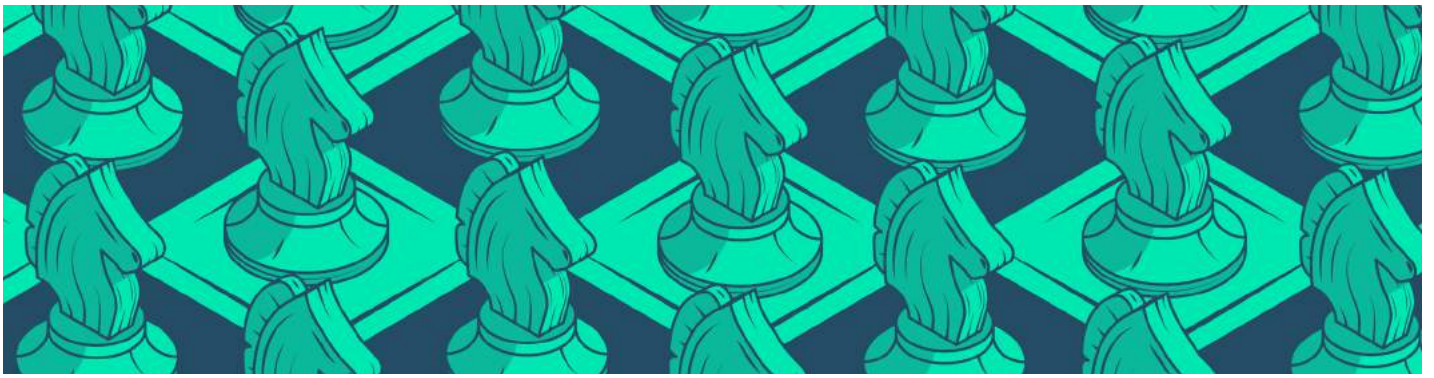
When measured accurately, CLV is the real figure dictating the profitability of different advertising approaches. After all, if your customers regularly re-convert, making repeat purchases over months or years, the profitability of a single product sale suddenly becomes an entirely different measure. To calculate your CLV, you'll need to deploy analytics tools to pull data from several Amazon reports, including:

- The initial cost of customer acquisition
- Annual revenue contribution on a per-customer basis
- Associated product costs and all Amazon fees
- Annual direct costs per customer
- Annual customer retention rate

Although calculating CLV is a complex process, this calculation can prove pivotal in your broader strategy.

In this section, we'll highlight three more opportunities made possible by the CLV data provided by our analytics tools and detail how our customers have harnessed these opportunities to drive their success.





1. Using CLV data to more aggressively acquire customers

CLV data empowers you to become more aggressive in the acquisition of new-to-brand customers. This includes elevated PPC bid, but also greater use of promotions/discounts, along with [Amazon DSP](#) advertising – Amazon’s programmatic “demand side platform”.

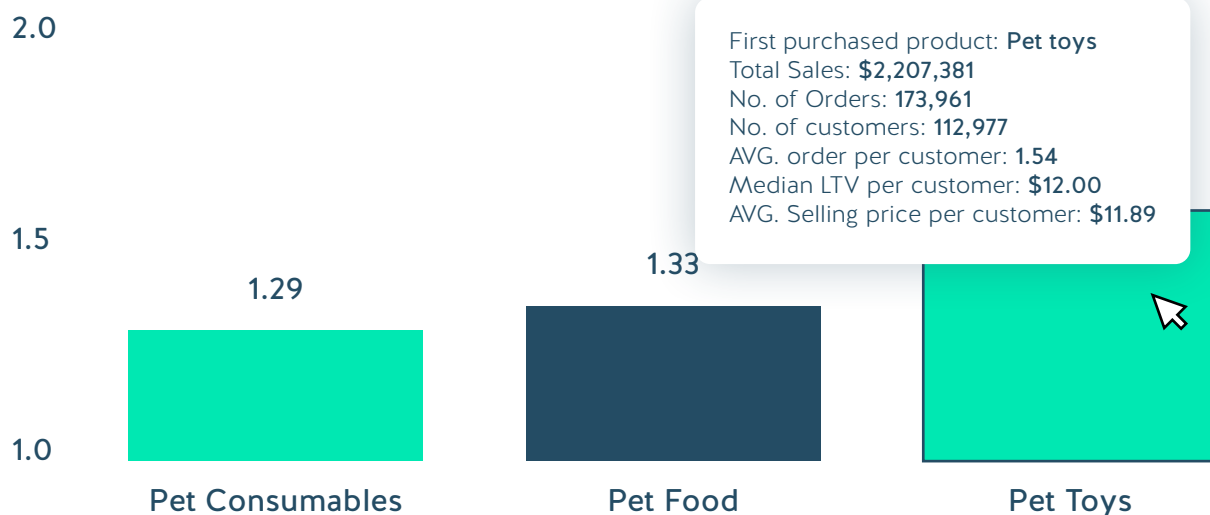
In order to use CLV in this way, you need to be able to calculate your CLV-adjusted **break-even ACoS**. As discussed, your break-even ACoS is essentially your pre-advertising margin for a given product, as this is the maximum amount you can spend on advertising and still turn a profit. The greater you can make the gap between ACoS and your pre-advertising profit margin, the higher your end profit margin will be. However, in a competitive marketplace, it isn’t always easy to make these numbers work – particularly if focusing on expanding market presence and acquiring new customers.

Operating with CLV awareness provides a longer-term context for your ACoS planning and strategy, offering insight into customer acquisition costs and ad spend direction. Essentially, it comes

down to this: if you’re bidding with a ROAS-based strategy, you’re focused on first purchase profitability, which is very short term focused if you have repeat purchases. This means that you’re not going to bid on terms where that return isn’t profitable. However, by adopting a CLV-based strategy, you’re willing to pay more for that customer, knowing that your investment will deliver greater returns over time.

Using the Nozzle Analytics tool, this information is surfaced on a product-specific basis, and across your portfolio. We look at the number of purchases of a product made by individual customers, and then average that figure across all customers to give you an “average order per customer” figure – i.e. the number of times an ASIN is bought by a customer on average. In the example below, this information is displayed on a product category basis and demonstrates that the customer can increase their break-even ACoS by 50% and still turn a profit, on average, for products within the “pet toys” category.

Avg Order Per Customer, Coloured by Total Sale



For example: We used our Analytics tools with ValuMeds, a US-based medicine brand, to gain a granular understanding of repeat purchases and CLV to better inform PPC strategy. Through the data, we validated a hypothesis to justify incremental ad spend on Sponsored Product campaigns to acquire new customers. This allowed the client to adjust their break-even ACoS, re-allocate advertising and SEO budgets, and run more aggressive Sponsored Brand and Sponsored Product campaigns, knowing that they could outspend their competitors and still gain market share.

After insights received from their partnership with Nozzle, ValuMeds increased spend on Sponsored Products by an average of 15% across all products, and 40%-50% on key products. Overall, the re-allocation of advertising spend helped drive a 280% year-over-year increase in sales. This success further inspired Sponsored Brands, Sponsored Display and Amazon DSP campaigns using similar tactics.

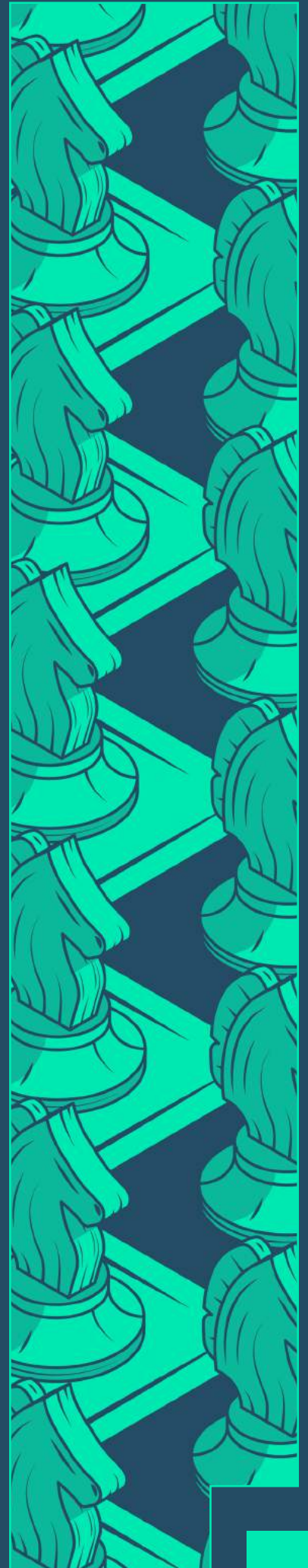
Additional reading: [Check out the full ValueMeds case study here.](#)

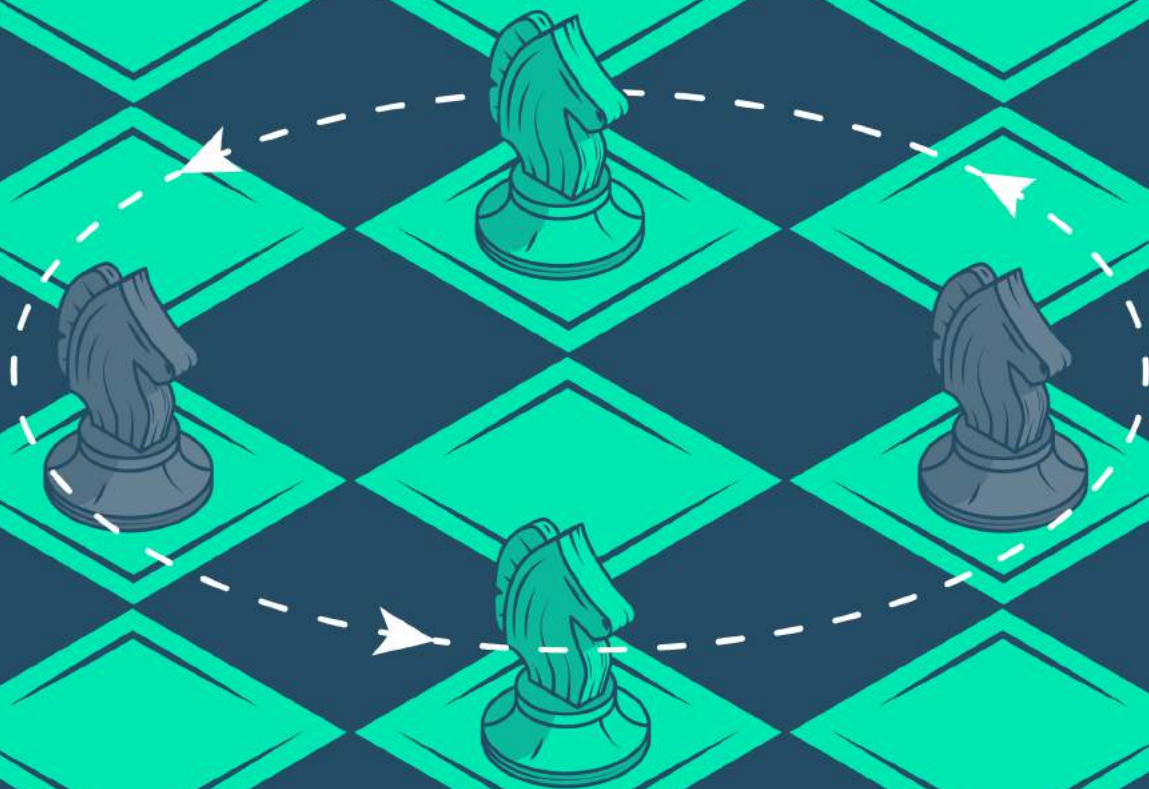
2. Prioritizing products and ads based on CLV and repeat purchases

CLV provides immediate context regarding the break-even ACoS. However, it also helps you plan longer-term and uncover which products are actually the most valuable within your portfolio. This can help you better acquire new customers, and grow your brand more effectively and more profitably. Of course, product-level CLV is a highly complex calculation – and one that cannot be done by hand. Once again, this will require analytics tools.

Here are just two benefits of prioritizing products based on CLV:

- **Enabling longer-term strategic thinking:** CLV is often about ‘sales trajectories’ – predicting what customers will buy next and the chances of a repeat purchase. Understanding CLV on a product-level enables you to think in longer-term trajectories, empowering you to take a more aggressive PPC stance, highlighting where you should direct more attention and budget to facilitate growth, and showing where you should cut your losses to minimize future waste.
- **Revealing ‘gateway products’:** Using CLV and analytics tools can also highlight gateway products – products that draw customers in and lead to repeat purchases. Identifying and focusing on gateway products can boost profitability long-term, even if you aren’t targeting the lowest cost and highest-converting search terms. For instance, when we ran our Analytics tool for a calendar year of a client’s data, we discovered that a relatively inexpensive ASIN, which hardly had any ad spend, was actually a crucial gateway ASIN that led to repeat purchases. We subsequently found this was true across categories and for much more profitable ASINs.





3. Understanding the impact of off-Amazon advertising

Although we're focusing on Amazon advertising strategies here, it's vital to remember that there are other valuable channels out there. And if you want to sell and advertise in multiple ways online, directing some of that 'outside' traffic back to Amazon can benefit your organic rankings.

Although it's not proven either way, many Sellers believe that Amazon rewards driving external traffic to Amazon by sending Sellers even more traffic. This theory does make sense – after all, when Sellers direct outside traffic to Amazon, Amazon gains more customers and makes more money. And even if Amazon's algorithms don't actually reward external traffic, this traffic will increase sales velocity. With more sales and conversions, rankings naturally increase.

Fundamentally, however, effective advertising requires attribution models to understand the impact of spending. By looking at new-to-brand customers within geo-specific regions where you are running more traditional advertising (e.g. TV or radio ads) you can attribute the impact of those sales on Amazon. Amazon Attribution can help you understand and attribute that data.

Here are our top tips for driving external traffic:

- **Build brand awareness:** Increasing the number of Amazon shoppers who use branded terms associated with your brand will lead to a spike in organic traffic. For instance, we analyzed the percentage of new-to-brand customers in six cities where one of our clients was running TV and out-of-home campaigns. In these cities, the new-to-brand percentage for this period nearly doubled its historical average.
- **Use your Amazon store URL:** Add your Amazon store URL or landing page to your campaigns and websites to drive traffic and boost rankings.
- **Pro tip:** If actively driving traffic from your website to Amazon, set up a landing page that links to your Amazon store so that you can capture customer details and match them with an order if someone buys on Amazon. This will help you retain direct control over customer data.

4. Use data to time your remarketing

By analyzing customer buying behavior, you can identify patterns in the intervals between repeat purchases. This information can inform your remarketing strategy, and help you increase CLV even further. Using Nozzle’s Analytics tool, we provide a clear picture of these intervals to make taking targeted actions as easy as possible.

Purchase Cadence (days)					
Order Number					
2	47.00	5	40.00	8	32.50
3	54.00	6	34.50	9	33.00
4	52.00	7	34.00	10	32.00

The value of this strategy is dependent on product categories. For example, grocery, beauty and supplement products are all better candidates for focused remarketing because of their regular purchasing cycles. Whereas a big-ticket item, like a kayak, might require waiting years for a repeat purchase. However, having this data readily accessible means that you can experiment with segments of your product portfolio and see how changes to strategy impact sales over time.

Nozzle’s Analytics tool also provides valuable information about cross-category purchases. By identifying likely future purchases, you can remarket those cross-category products and improve results.

Which other categories client purchased from, after buying from 1st category?

Pet Food	Pet Food	\$1,240,036
	Pet Toys	\$99,258
	Pet Consumables	\$46,151

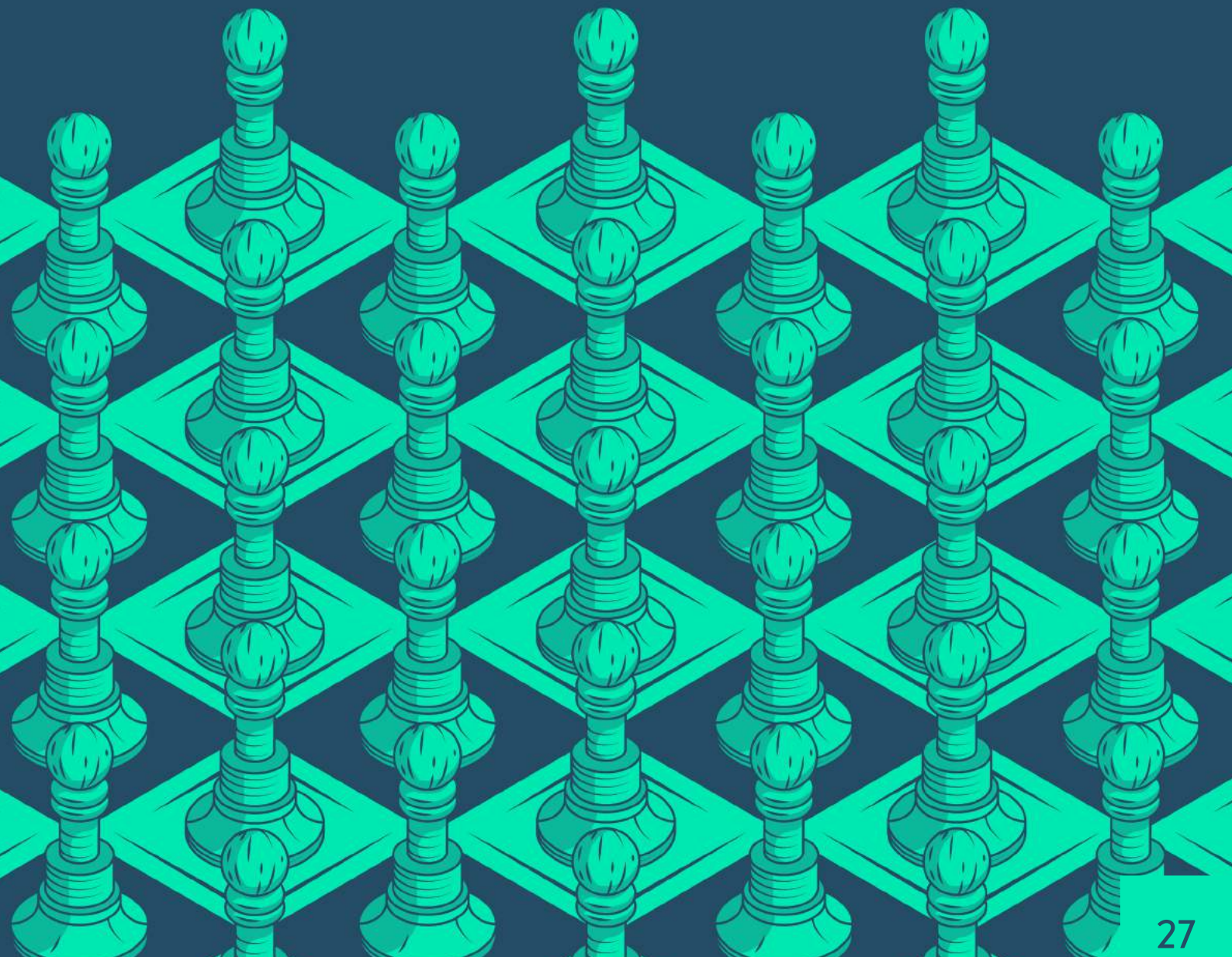
First purchased product: **Pet Food**
No. Of orders: **218,801**
Percentage of sales: **89.50%**
Sales: **\$1,240,036**

- **Pro tip:** When looking at cross-category purchase data, you also gain insight into how much of the CLV comes from the first product/ category the customer purchased. If that figure is low (but the total CLV is high), it indicates a good “gateway” product that can bring customers to your brand – making it an ideal product for promotions and Sponsored Brand campaigns leading to your Amazon Store.

Lesson 4:

Orient your organization around data

Finally, we come to the bigger picture. Fundamentally, orienting your business around data is essential to executing any of the previous strategies. Here, we will focus on the need to prioritize data within your organization to make any of this possible, breaking the process down into three components: a healthy organizational structure, a solid foundation, and a smart pricing strategy.



1. Ensuring healthy organizational structures

First of all, orienting your business around data means structuring your business so that data can be processed and decisions actually made based on that information. This will require the right tech tools, but technology is only one piece of the puzzle.

Once the tech has helped transform raw data into insights, these insights must be brought into action. To succeed in this task, it's essential that there are individuals within your organization who are accountable for success on Amazon. That means thinking about logistics, sales, marketing, finance, product and more. Realistically, it requires a micro-organization in and of itself – and it's not a task that should be taken lightly.

By analyzing customer buying behavior, you can identify patterns in the intervals between repeat purchases. This information can inform your remarketing strategy, and help you increase CLV even further. Using Nozzle's Analytics tool, we provide a clear picture of these intervals to make taking targeted actions as easy as possible.

2. Covering the basics

In addition to having the right people to do the job, it's also vital to ensure you're getting the basics right before attempting more advanced data and PPC strategies. A great PPC strategy can get your product to the top of a listing page, but it's unlikely you'll drive conversions if you're being sloppy in other areas. Most importantly, you want to ensure that you deliver:

- **High-quality listings:** Your listings should include compelling copy with relevant keywords and backend optimization, as well as high-quality, accurate photos. You'll also want to pay attention to your reviews and star ratings – an estimated 95% of customers read reviews before making a purchase.
- **Optimal order fulfillment:** Remember, Amazon customers expect quick shipping, so Amazon prioritizes products with speedy delivery times. This means that if you're not Prime eligible, you're going to struggle to list above the competitor products that are.

Only after you have these basics covered will PPC be in a position to really impact outcomes. If you're still struggling with the basics, you might find it helpful to partner with a consulting service. The right partner can help you build the solid foundation you need and then help you move on to the more advanced Amazon strategies.

3. Deploying a smart pricing strategy

Particularly for resellers, an effective pricing strategy is fundamental to your success on Amazon. This is because to win placement in the “Buy Box” you need to be within 2% of the cheapest listing. This consideration isn’t as important for private labels selling unique products – Vendors can control it by not running out of inventory – but it’s so important to 3P resellers that it would be remiss to skip over.

- **Pro tip:** To place PPC bids, your product needs to be in contention for the Buy Box, adding to the importance of pricing decisions for many Sellers – and interlinking your pricing strategy with your ability to even execute many of the strategies discussed here.

Pricing strategies are also important to your general profitability. For Amazon merchants, taking a smart, dynamic approach to pricing can help increase your sales rank, which in turn boosts your organic sales. Data should play a critical role in developing a clear and responsive product pricing strategy, helping you understand how customers interact with your products and answering key questions like:

- Which products should you price competitively to grow market dominance?
- Where can you adjust pricing to increase profit margin?
- Which products should you cut from your catalog altogether?

At present, there are approximately **2.5 million** daily pricing changes on Amazon products. Here are some of the most common pricing strategies used by successful Sellers:

Cost-plus pricing:

Essentially, this means selling something for more than it costs. While this is a good starting point, you won’t necessarily know all of your costs, especially variables like advertising and affiliates, so you can’t really know if you’re going to make a profit. As soon as you have enough data, you’ll want to move to competitive pricing or value-based pricing to maximize profitability.

Competitor-based pricing:

Looking at the other companies selling products like yours to decide your own price point. For resellers, this strategy is critical to be considered for the Buy Box. 80% of Amazon sales go through the Buy Box, and although pricing isn't the only factor, it does play a role. To execute this strategy, Sellers must automatically adjust prices on SKUs to match the Buy Box winning price without manually revisiting the SKU every time. Amazon automated pricing can help here.

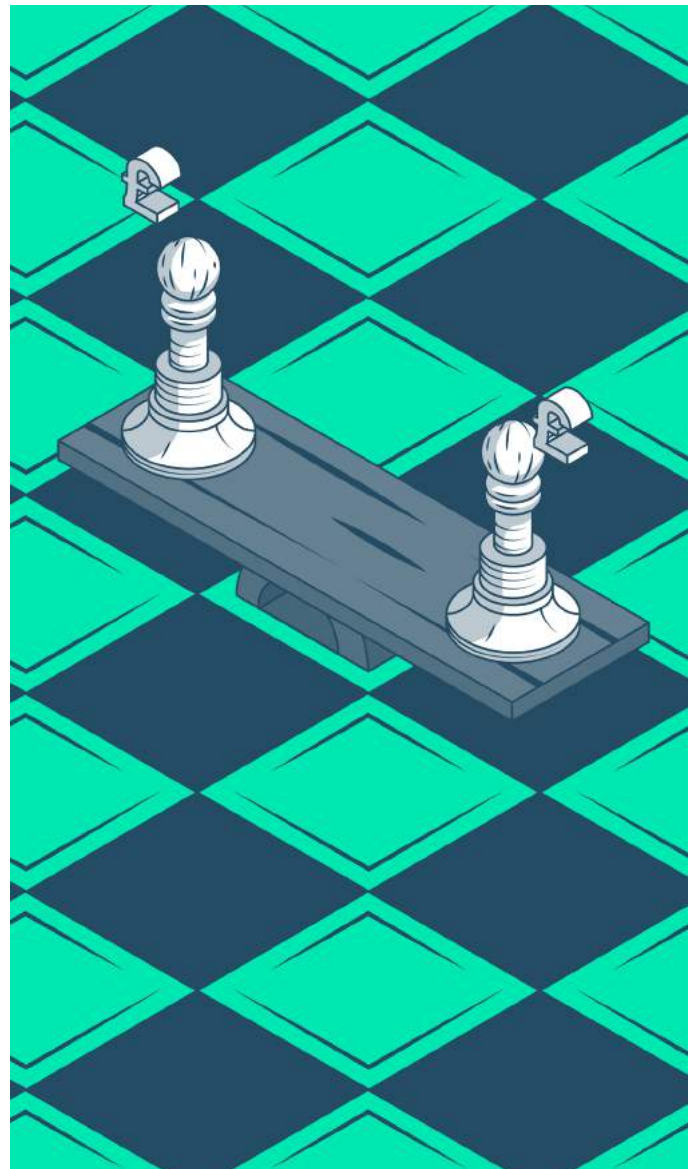
Stable pricing:

For direct-to-consumer brands, and brands that sell on multiple channels, it pays to keep prices stable and close to the market value. Stable pricing also has an advantage for private labels who don't need to compete for the Buy Box. To maintain stability on a dynamic platform like Amazon, you'll need monitoring and analysis tools to identify when price stability is viable and when it should be challenged. You'll also want to keep an eye on certain events, such as the holiday shopping season and Prime Day, when customers expect discounts.

Value-based pricing:

Value-based pricing is essentially customer-based pricing, and executing this strategy requires customer segmentation and metrics such as CLV. This is a good choice for brands with an established brand profile, as success requires customers to value your brand offering over the price point.

Critically, this strategy only really works if you aren't competing against resellers. If you are, your pricing will require a more advanced and holistic approach, as we discovered with one of our clients, a market leader in global skincare. Partnering with a consulting service like Nozzle can be extremely valuable here – after just four months, our client's revenue increased 47%, TACoS decreased 39%, and sales as a percentage of ordered revenue decreased by 37%.





“The Nozzle team offers both gold standard service and true Amazon expertise, and I highly recommend partnering with them”



Laura Gudaite

Head of PPC, the7stars

Success requires technology and expertise

There’s no question that Amazon is the eCommerce platform of the present and the future. And as we move forward, Amazon success will require increasingly savvy strategies, an ever-deeper understanding of customer behavior, and higher-quality, more detailed data.

Underlying all of this are two factors: the right technology and the best expertise.

How Nozzle delivers

At Nozzle, we deliver on both technology and expertise, working directly with Sellers and Vendors, as well as agencies. We take Amazon's fragmented experience and datasets and combine them to deliver deep retail analytics. These easy-to-understand insights help brands optimize sales and advertising, and provide an execution platform to optimize the use of those insights. Our products include:

1. PPC audit: Understanding your current position

With our PPC audit, you simply sign up and connect your Seller Central or Amazon Advertising account. You'll then receive a detailed report of your selected account and marketplace, revealing wasted ad spend per ad type, missed revenue opportunities, keyword distribution breakdown, product targeting analysis, brand vs. non-branded search term analysis, and more. Our PPC audit is suitable for businesses of all sizes, from \$0/month access for small sellers to agency/enterprise plans.

2. Advertising bid management services: Using insights to drive PPC success

With our advertising bid management service, we deliver the tools and hands-on services needed to help you achieve your campaign goals. Whether you're looking to maximize new-to-brand customers or focus on an ACoS target, we can advise you on the best strategy, execute that strategy, and tailor our unique audit and bid algorithms to help. Features include search term optimization, dayparting, constant bid updates based on campaign results and broader search trends, and hourly sales breakdowns.

3. Analytics: Understanding your customer in detail

Our proprietary customer and retail analytics platform offers an unprecedented view of your business. We pull together data from across the entire Amazon reporting ecosystem, centralizing access and cross-referencing that material to deliver otherwise unobtainable insights. You'll get all of the decision-making data you need in one dashboard: sales, repeat purchase, market basket, CLV, deals, geo hotspot analysis, and more. This will enable you to identify the most critical information to move your commercial needle and deliver on your goals.

4. Consulting: Custom advice and support to fit your exact needs

Clients often approach us to address additional business needs and pain points. Our domain expertise helps us address these challenges using the most advanced AI techniques so that you can get the most value out of your data. With our consulting service, you get a strategic partner committed to optimizing your business for Amazon, and helping you execute that strategy flawlessly.



Your Amazon success starts today

We hope that these strategies have been helpful as you look to build traffic and boost sales on Amazon. As the success stories from our clients have illustrated, it's possible to increase your market share, maximize profitability, and grow your business, even on an ultra-competitive platform like Amazon – all it takes is the right approach.

We know better than anyone that Amazon success consists of many moving parts: optimizing PPC spend, using PPC to drive better business outcomes, harnessing customer data

to achieve a competitive advantage, and orienting your organization around data. But ultimately, all of this boils down to one thing: standing out from the crowd. We believe that central to standing out is better understanding your customers and your products, and then using the levers Amazon provides to connect the two in profitable ways. And thankfully, with the right partner and the right technology, this once-tall order has become easier than ever to achieve.

Get in touch if you want to learn more.

[Learn More](#)