

POINT OF CLICKS

WHY CLICK THROUGH RATE (CTR) IS THE MOST UNDERRATED
AMAZON AD METRIC



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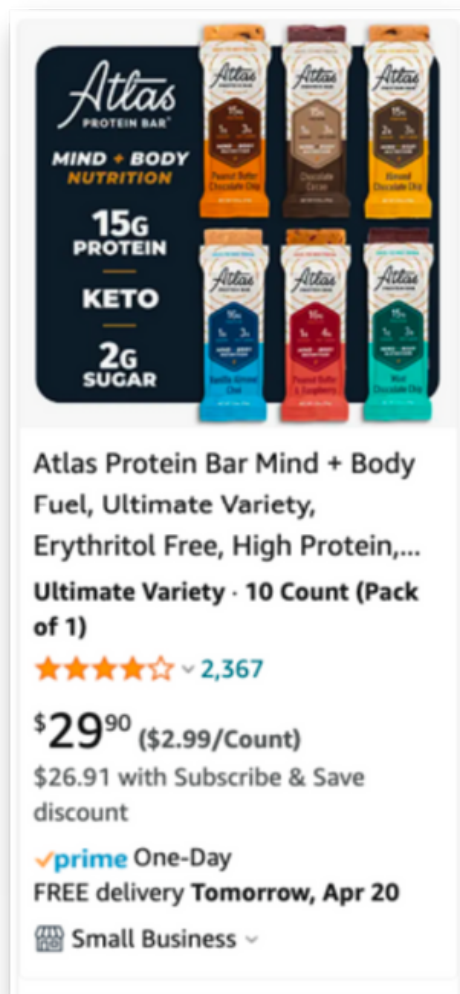
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Digital marketing by the numbers and why we love Click-Through Rate for Amazon ad metrics

Digital marketing on Amazon has one major goal: get sufficiently highly ranked, and Amazon will send you free Organic Traffic. This starts a positive feedback loop: this traffic start to convert, your sales ranking gets higher, and you get more Organic Traffic. This "Amazon Flywheel" has been how many small businesses have grown meaningful sales on Amazon at a very reasonable cost.

With this in mind, enter ads: a way to drive up your ranking by paying to direct people to your pages. Simple logic would therefore suggest an ultimate goal of your ads: drive as many incremental units at as low of a cost as possible. Enter Click-Through Rate (CTR), our favorite metric for understanding advertising costs.

A great way to break down Amazon sales performance is by two components: **traffic**: how many people visit your page, and **conversion**: how many people who visit actually buy. But once you start advertising, a third metric becomes particularly important: Click-Through Rate.



CTR is the percentage of people that click on an ad (clicks / impressions), which leads them to the product page. CTR is what ultimately determines the cost of your ads, and also is a good leading indicator for whether traffic will ultimately convert.

In this whitepaper, we're going to explain how CTR drives your long term ad costs, the components that impact CTR, and how we can control and improve it.

Highly "clickable" – clear image that shows the products, the value proposition is clearly called out on post-render image edits; it has a positive, high review count; prime shipping.

Relevance is King – because it drives Amazon PPC Ad revenue

Another way to define CTR is relevance: is your ad relevant to the audience viewing it, enough to make them click on it? Not only does CTR measure relevance to your audience, it also effectively sets the price you're able to bid! Amazon seeks to maximize the cost per impression on their ads. A higher CTR means more clicks, which means more revenue. Increase your CTR, and Amazon will serve you more traffic – for less.

$$\text{Cost Per Impression} = \text{Bid (\$)} \times \text{Click-Through Rate}$$

$$\text{CTR} = \text{Clicks/Impressions}$$

Let's break down some numbers that show how CTR impacts how much you need to bid:

ASIN A (Our brand)

Target: ASIN A's brand name

Bid: \$1.00 **CTR:** 10%

Amazon's revenue per impression = $\$1 \times 10\% = \0.10
For every 50 impressions, someone will click 5 times. Amazon makes \$5, or \$0.10 per impression.

ASIN B (Competitor)

Target: ASIN A's brand name

Bid: \$5.00 **CTR:** 2%

Amazon's revenue per impression = $\$5 \times 2\% = \0.10
For every 50 impressions, someone will click once. Amazon makes \$5, or \$0.10 per impression.

This example illustrates that ASIN B has to bid 5x higher in order to compete for traffic with ASIN A because it's CTR is much lower. Because ASIN B is far less relevant on ASIN A's brand name, it will have to bid higher for Amazon to make the same revenue per impression and consider serving their ad. Given this formula, we're always trying to improve CTR.

Five Elements that Impact CTR (+1 Bonus)

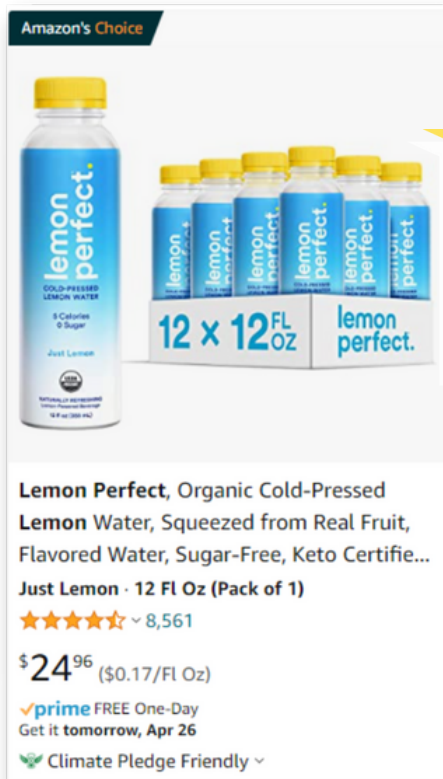
We now know that a better CTR allows you to not only bid less but also have Amazon serve your ad more, giving you more exposure at a lower cost.

Unlike DTC where you control full page creative, Amazon only provides you a tiny box to entice people to click. When someone makes an Amazon Search, your product tile – we call it our "product square" or "click square" – has to stand out amongst the hundreds of others. This product tile is our only small space to convey important information – all of which can impact CTR.

These elements add up to what we call “Click Square Conversion.”

1) Image

- In addition to showcasing the product in a clear and attractive way, we can add to the image via post-image edits to convey the most important points or value propositions. Some examples: show samples of product outside the packaging, show flavor elements, enhance font of specific call-outs, or use a box or packaging as a canvas. Sometimes this Information isn't actually on the packaging,



Note the call-outs on the right side are probably not on the actual box

*While technically Amazon's rules state the hero image needs to be exactly what the customer received, we believe generous interpretations that don't violate the spirit of the rule improves the shopping experience by giving customers important information.

2) Star Rating & Volume

- Reviews – not just the rating but also the volume of reviews – are arguably the next biggest driver of “click square conversion”. We rely on reviews online because it makes us feel more confident in our purchase decision, given we can physically inspect the product.
- Sometimes, adjusting messaging can help mitigate negative reviews, by adjusting descriptions or uses to be accurate.
- While you can ask someone for a review, it's against Amazon's terms of service to compensate people for it. Amazon is really good at cracking down on this. Cartograph has developed a best practice program to help drive reviews through product inserts.

Both high rating and volume of reviews tells customers this product is likely good quality



3) Title

- Titles are important for explaining the product you're getting. It's a balance of SEO optimization and calling out key features.
- The overwhelming majority of people purchase from Amazon on mobile, so we need to make sure the most important details are put in the first 80 characters before it gets cut off.



4) Price (or deals)

- Price can have a major impact on conversion. A higher priced item relative to its peers tends to have a lower CTR.
- If your price is higher than your competitors, it's especially important to call out your value propositions on images!
- Discounts or coupon also improves CTR – bonus if you get a badge like the screenshots on this page.
- Amazon calculates the price per unit – whether it be count, ounce, fluid oz, etc. so it's important to make sure you set the units on the back end to be favorably comparable to your competitors (and don't just hope your customer will do the math).

5) Shipping Speed (Prime Badge)

- People have an expectation that an Amazon package will arrive at their doorstep in 2 days or less. If an item doesn't have that Prime badge that guarantees 2 day shipping, they may opt for a substitute product. Inventory management does drive ad costs!

Badge (Bonus)

We recently published a white paper about the impact of a Best Seller Badge (BSB). It's tough to win a #1 spot in your category, but if you do, it can have a significant increase in CTR. Below is data from an experiment we measured on Best Seller Badges. This implies over 25% lower ad costs from the badge alone!

2 weeks without BSB:

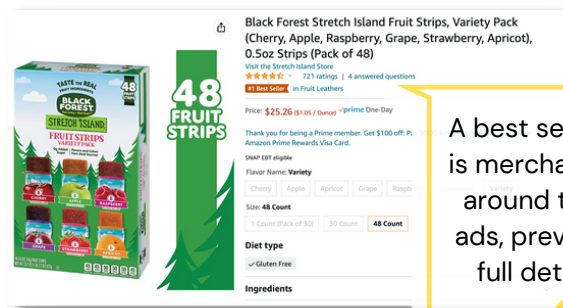
Category CTR: 0.11%

Competitor CTR: 0.33%

2 weeks with BSB:

Category CTR: 0.18%

Competitor CTR: 0.37%



A best seller badge is merchandised all around the site – ads, previews, and full detail page

Ultimately, all operators on Amazon should constantly be asking themselves the simple question: if my product square was put next to this other product square, would it get clicked some of the time? And what could I do to improve that performance? These questions uncover the ultimate "consumer mindset" which determines if you can sustain a viable CTR on every target in your ads. Shoppers are looking at your square versus others – if your product square stacks up, you can turn that target into a long term acquisition source.

About Cartograph

Cartograph is an eCommerce focused agency that helps CPG brands sell their products on Amazon. Their mission is to help brands grow products that are better for people and the planet. They support brands with strategy, pricing, SEO, advertising, and operations and logistics. Cartograph is based in Austin, TX.

If you'd like more information, please reach out at contact@gocartograph.com.

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