

Case Study

SHOPPING FOR BUSINESS OBJECTIVES – SPENDING AD BUDGETS MORE EFFECTIVELY

To gain an edge in the e-commerce price wars, VEDIA has adopted a new strategy for its ads on Google Shopping. By aligning its campaign with the margins of each product, the online retailer is able to spend its ad budget more effectively and advertise higher-margin products with greater precision.

INITIAL SITUATION

[VEDIA](#), a well-known Swiss mail-order house, has become a fixture of today's online shopping landscape. And thanks to its wide range of products, the Swiss company is not only able to compete with other e-retailers but also with specialist retailers – selling everything from cocktail dresses to garden shears. Comparison platforms such as [Comparison Shopping Services](#) (CSS) have raised the stakes in the price wars even higher. CSS-based advertising on Google Shopping has become an increasingly important advertising channel and digital showcase in recent years. Unlike conventional text ads, these ads provide detailed product information right away. This might include an image of the product along with the price, which is why these ads are so appealing to online retailers such as VEDIA. Because Shopping also works like a comparison platform, that usually means that the less expensive products are, the less they cost to advertise on Google. Conversely, however, this also means the cost per click for expensive products tends to be pricier. The challenge for retailers is to build this into their

pricing models so that their profit margins don't evaporate.

GOALS

- ★ Spending ad budgets for Google Shopping to boost profits
- ★ Maximizing sales while also increasing profitability

MASSNAHMEN

VEDIA and Webrepublic took a new path in the area of SEA strategy: using the Shopping for Business Objectives approach (see below), they focused on overall business goals that need to be met with the Google Shopping setup.

The previous campaign structure, which categorized products by type, was replaced with new clustering of VEDIA's products according to the product margin percentage. After the clustered data was transferred via [product feeds](#), Webrepublic reconfigured the Shopping setup using Google's Smart Shopping campaigns. This enabled the ads for products from the high-margin clusters to be pushed. After all, the lower the return on advertising spend (ROAS), the more visible the products are on the platform. Conversely, the higher the ROAS, the less the product ads will be pushed.

The new setup was implemented in March 2020 and will continue to be fine-tuned by VEDIA based on feedback. That way, the current margin situation and performance of the clusters can be properly assessed and updated.

Anzeigen · fondue set bestellen ansehen 1

		SALE 		
Fondue-Chinoise Set 2... CHF 39.95 Lehner Versand ★★★★★ (4) Von sparer.ch	Fondue-Set «Berge»,... CHF 79.95 VEDIA Von vergleich...	Kuhn Rikon Alpweide... CHF 169.00... nettoshop.ch Versand gratis Von Dept	Käsefondue-Set "Edelweiss" 9-... CHF 39.95 Lehner Versand ★★★★★ (8) Von sparer.ch	WMF Fondue Party Allegro 1... CHF 123.90 Kastner&Öhler... Versand gratis Von Google

Example of a Shopping ad on Google. (source: screenshot)



RESULTS

The new strategy will considerably improve the allocation of the ad budget. Instead of heavy promotion of advertising products with low margins, the new strategy increases the visibility of products with high margins through higher click bids, whereas products with lower margins are advertised less.

- ★ + 63% sales increase over the previous year
- ★ +63% increase in transactions over the previous year
- ★ ROAS increased 15% over the previous year

“By implementing the Shopping for Business Objectives, we’ve managed to substantially increase sales and ROAS for VEDIA. I believe the key to this successful outcome was focusing on the fundamental business goal – to increase sales while also increasing profitability – coupled with efforts in the area of advertising.”

SOPHIE SCHÖNEBERGER, Senior Consultant E-Commerce

“Thanks to Webrepublic’s Shopping for Business Objectives approach, we succeeded in greatly increasing sales and profitability generated by our Shopping campaigns. As a result, Google Shopping is now our most important channel in the acquisition of new customers.”

CORNELIA KUCKELKORN, Director Marketing



SHOPPING FOR BUSINESS OBJECTIVES (SFBO)

Until recently, Google Shopping campaigns have not been thought of as a business solution, but simply as a potential advertising channel. Accordingly, the primary focus of the advertising has not been on the profitability of the product margins. The goal is that the Shopping for Business Objectives will change this. The basic idea is to move away from product categories based on sales attributes towards the business goals to be met using the Shopping setup.

In addition to optimizing sales margins with SFBO, other business goals can be tackled as well. For example, it could be a good idea to factor in the current inventory before displaying ads – because why advertise a product that is out of stock? Other aspects might also include prioritizing specific brands or new customers over existing customers. Like business goals, the possibilities are practically endless.

