

It pays to go beyond the last word when advertising using Google AdWords

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As search advertising gains share in advertising budgets, the decision on which keywords to bid on has gained in importance among marketers - both big and small. An often debated question is: Should marketers prioritize advertising on the last keyword or the first keyword that a customer searched that led to clicks and sales? There is no obvious answer to the question. While last touched keywords attract customers who know what they want, first touch keywords help bring in customers who are beginning to explore the category. A forthcoming article in the INFORMS journal *Marketing Science* compares advertising strategies based on last touch and first touch keyword effectiveness metrics and finds that while the return on investment (ROI) of a last touch strategy is 5 percent more than a first touch strategy, a strategy based on weighting the two metrics improves ROI by another 5 percent.

The researchers, Alice Li from Indiana University, PK Kannan and Siva Viswanathan from the University of Maryland, and Abhishek Pani from Adobe Systems, worked with an online jewelry retailer to study this fundamental question about bidding strategies facing keyword advertisers. "We were fortunate that the retailer decided to shift from a last touch to first touch based keyword bidding strategy. This provided us with the nice experimental setup needed to study the effectiveness of alternative bidding rules" said Li. The authors used three months of data each under the last touch and first touch-based bidding rules and compared the impact on revenues.

The authors found that bidding rules based on first touch attribution

increases the frequency of ads and bid values on broad keywords such as "onyx ring," while last touch based bidding increases ads and bids for more specific words like "black onyx sterling silver ring." Explained Kannan, "Every retailer has a unique mix of keywords that attract visitors to their websites. First touch prioritizes the broad keywords tend to be used by consumers early in their search process as they look for options, while last touch prioritizes specific keywords tend used by consumers who know what they want, late in the search process. First touch would overinvest in keywords drawing consumers early in the search process, but last touch would overinvest in keywords that draw the ready to buy consumers."

The authors noted that the effect of keywords on clicks and sales are much richer than first or last touch attribution assumptions Google makes in providing their analytics data. "But bids among competing advertisers need to be offered and cleared in a matter of milliseconds before the browser displays the search results along with the advertisements," said Viswanathan. "By necessity, bids therefore need to be not only rule based and automated, but also based on metrics that search engines like Google provide. Hence, our focus on the last touch and first touch attribution metrics."

It turns out that last touch draws more customers than first touch, but a rule that orders keywords by weighting the two metrics works best. Noted Pani, "The exact weighting of last and first touch and which keywords to bid on will of course differ across retailers. But the key is that our method can be applied by any advertiser who wants to improve advertising ROI when programmatically buying keywords to reach customers. And so, it can be useful not just for search advertising, but for display and social media too."

More information: Hongshuang (Alice) Li et al. Attribution Strategies and Return on Keyword Investment in Paid Search Advertising,

Marketing Science (2016). [DOI: 10.1287/mksc.2016.0987](https://doi.org/10.1287/mksc.2016.0987)

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