



THE PROFIT-DRIVEN MARKETER:

Setting a New Standard for Performance

WRITTEN BY
Matt Lawson

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THE **RUNDOWN**

There's a new trend driving successful digital advertising campaigns: profit-driven marketing. It flips digital tradition on its head by approaching marketing as a profit center instead of as a cost center. A profit-driven approach means spinning familiar problems in new ways. In this guide, we identify the main pillars of profit-driven marketing—recognizing value, targeting outcomes and capturing demand—to help you achieve a better bottom line.

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Right now, digital marketers are standing at the crossroads between opportunity and challenge. The C-suite wants more accountability for the marketing spend, but at the same time, the multi-channel purchase path is becoming increasingly complicated. A growing cadre of search marketers is responding to this tension by rethinking digital advertising basics such as KPIs, budgets and customer journeys. These search marketers are part of a trend toward what we call “profit-driven marketing.”

We’ve been watching this movement from the front row as it’s developed and delivered big strategic advantages. You might not have noticed this new movement, but your search team or vendor probably has. And if you’re willing to empower them to pursue profit-driven marketing tactics, you could see big returns that you probably didn’t even know you were missing, as well as additional customers.

Best practices and patterns are emerging from this forward-thinking group of profit-driven marketers, and they’re worth sharing.

A shift in mind-set

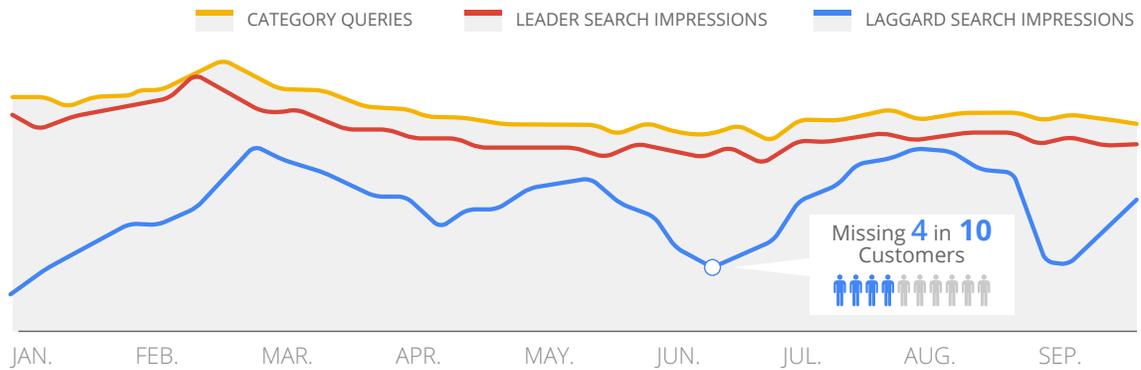
At the highest level, profit-driven marketing means moving digital marketing from a cost center to a profit center and extracting as much profit as possible out of your marketing spend. These marketers ignore traditional efficiency metrics and chase dollars to win more customers.

Sounds great, right? Who doesn’t want more profit?

The chart below shows paid search impressions for two advertisers, but only one is using profit-driven marketing tactics. Notice how the Category Leader’s impression share tracks nicely to demand while the Category Laggard’s results fluctuate wildly, probably due to cyclical budget constraints.

Push vs. Pull:

Example Paid Search Impression Share Analysis



The Profit-Driven Mind-Set

Profit-Driven Category Leader

- Values the full customer journey
- Bids to maximize total profit
- Flexible budgets—profit accountability

Category Laggard

- Values last click only
- Bids all keywords to a target CPA
- Fixed budgets—forecast accountability

Shifting to a profit-driven mind-set is within the grasp of all good digital marketers. It just requires a willingness to approach familiar problems in new ways. Here's how you can measure, bid and budget like a profit-driven marketer.

1. Measure beyond the conversion

Want to find opportunities for additional profits? You'll need a precise understanding of the value of your digital media investment. If marketers overvalue their investment, they can waste money. If they undervalue their investment, they relinquish profit (and placement on the search results page) is relinquished to competitors. Successful profit-driven marketers have a healthy obsession with measuring the full value of their digital investments.

The benefits of better measurement go beyond counting profits. Sharper insights translate to smarter bidding, which in turn leads to smarter investments, more customers and more profits. This means determining things such as the precise values of your

various customers, their specific actions along the purchase path, different ad placements and more. What you're looking for is the total impact all these variables have on your net profit from search.

The good news is this level of measurement has become possible. Your search team is likely already moving in this direction; encourage them to look for new measurement needs and make it a priority to champion their needs. Here are a few questions you might ask your team to get started:

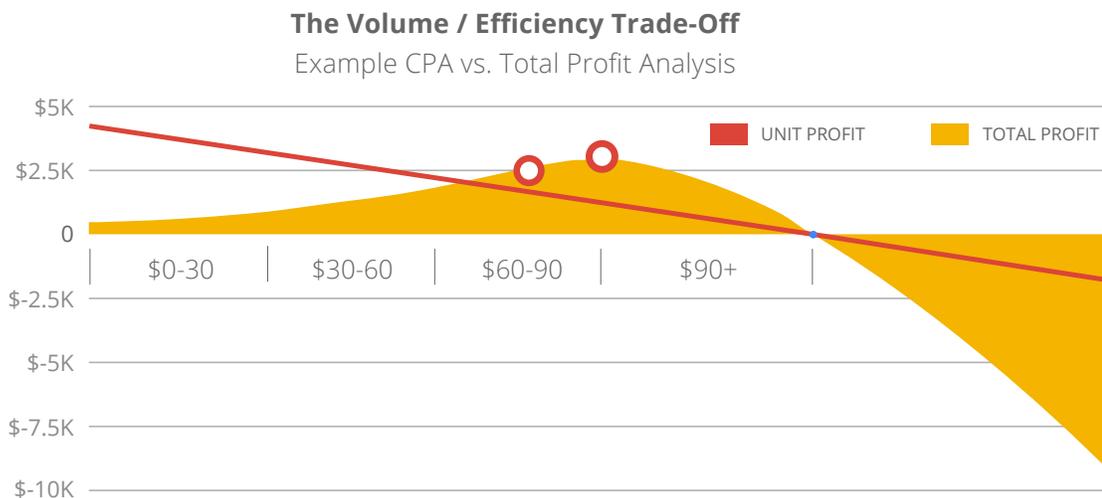
1. Are we accounting for the offline sales driven by our digital investments?
2. Are we accounting for the lifetime value of new customers?
3. Are we accounting for the customers' journey across screens and media types?

2. Bid for profit, not efficiency

So what's an effective bidding strategy? If the goal is to maximize profits, the bidding strategy shouldn't be tied to cost per acquisition (CPA). In fact, focusing on a rigid CPA goal can actually *limit* the amount of profit you bring in—you're measuring the efficiency of individual transactions rather than the profit from the total volume of transactions.

Here's a simpler way to look at it: Would you prefer an \$80 CPA or a \$90 CPA?

It's actually a trick question, and the profit-driven marketer would say, "I don't have enough information to choose between them." Perhaps the \$90 CPA lands your ad in the top spot on a search results page and brings way more sales volume than the lower-priced CPA unit. In that case, the correct decision is to spend more to make more.



"We'll sacrifice unit margin if we can make up for it with the profits from extra conversions. For us, this means more happy drivers and better business results," says AdHarmonics CEO Seth Birnbaum.

Bidding for profit means empowering your digital teams with the means to drive the best business outcomes. Transition them away from narrowly defined targets, which can stand in the way of their new main objective: profit from search.

3. Capture demand in the moment

Search is different from your other marketing channels because the customer is completely in charge of how and when she wants to interact. That's why one of the key tenets of profit-driven marketing is a healthy respect for the 24/7 nature of the constantly connected consumer. A product search on her phone in the morning could lead to research on her desktop at work before she finally makes the purchase on her tablet that evening while watching her favorite TV show on her laptop.

Customers expect brands to be there when they need them, and this reality needs to inform how you control your spend. So profit-driven search marketing is less about creating demand for your product and more about capturing user demand. When a potential customer searches for a brand, product, category or the competition, are you there to whisk them down the purchase funnel? What if he's searching at 11:30 p.m. on a Friday late in Q4? Is your budget gone at that point in the day or fiscal year?

Travel advertiser Airbnb, for example, takes a flexible approach to budgets allowing them to stay tuned into their customers' needs. According to Maria Hwang, online marketing manager, "We will spend as long as we can make a certain profit. We're not constrained by budget. Our leadership is focused on the business impact of our search investments and empowers us to find new ways to drive results."

Profit-driven marketers match their search spend to fluctuating demand and search queries. As you see increased volume from spikes in demand or higher positions, your investment needs to increase as well. Looking back at the chart we referenced at the beginning of the article, we can see that the spend and search volume align if you're doing this right.

Capturing demand means reaching every potential consumer in the moments they're searching. If your search team's budget is capped or you're relying on a predetermined

schedule for your paid search budget, your brand is almost certainly missing out on opportunities to win customers.

Questions for your team

The shift to a profit-driven mind-set won't always be easy. It'll require buy-in from a variety of stakeholders within your organization. The pitch can be easy ("more profit!"), but empowering your search team to act quickly might be a bit more arduous. Here are three questions you should ask yourself to help start the shift:

1. Are current KPIs inhibiting the team's ability to maximize profits?
2. Who should know about and help manage the total profits driven by search marketing? How can this help win more budget?
3. What technology and staff need to be in place to optimize for profit?

Your search team very likely has the answers to these questions and will be thrilled that you're asking.

We have a lot more good information on how to take advantage of profit-driven marketing. Take a look at our related whitepaper, "The Profit-Driven Marketer," and stay tuned for more case studies and additional content in the coming weeks.



Matt Lawson
Director of Marketing, Performance Ads, Google