3 ways to lower your Amazon advertising ACoS

Amazon’s advertising revenue topped $10B in 2018, creeping up right behind Facebook and Google, as the third largest ad platform in the U.S. The analysts were right… there would be a major influx of (big) brands investing more into Amazon advertising.

Why is this important to you? More advertisers = more demand = higher CPC.

When your CPC’s increase, so does your ACoS (Advertising Cost of Sale). With more ad dollars being allocated to Amazon than ever before, lowering your ACoS in spite of this increased demand may seem like a tall task! This is exactly why we consulted our team of Amazon advertising experts to put together this article to understand how to make Amazon more profitable.

#1: Negative keywords

Negative keywords play a key role in keeping your ACoS low with Amazon’s advertising platforms. Negative keywords allow you to control what search terms ***not*** to serve ads for, which ultimately improves your profitability by focusing ad spend on relevant terms that are more likely to convert and drive sales.

Here are some tips for finding negative keywords before you’ve launched a campaign:

- Use tools like Viral Launch, Jungle Scout, or even the google keyword planner, to create a list of keywords you want to negate first.
- Look for search terms that are not relevant to the ASIN

or set of ASIN’s you are advertising for in that campaign.

- Example Item: Red Boys T-Shirt
  - Blue, Adult, Yellow, and Women’s would be prime examples to add as negative keywords before starting this campaign.

Adding negative keywords to your campaigns from the start will help you optimize the campaign faster, as you won’t’ be wasting money on clicks for irrelevant searches.

Here are some tips for finding negative keywords in existing campaigns:

- Create an auto-targeting campaign AND a manual targeting campaign with Broad and/or Phrase match keywords (feel free to include the negatives from your pre-campaign creation efforts, if any).
- Once your ads have accumulated enough clicks, use the search term query report and filter by search terms that have over 15 clicks and zero orders.
- Add these back into your campaigns as negatives – if they haven’t converted within 15 clicks, you’re just going to waste your money on them.
- ***Pro Tip:*** *You cannot add negatives to Auto Campaigns through the Advertising Console (AMS), but you can through the API.*

#2: Isolate your search terms

In Amazon’s eyes, broad and phrase match keywords are actually “buckets” of search terms often yielding thousands of results for off-topic items. What does this mean? If you target a broad or phrase match keyword, you can only set one bid (Let’s say $2) for that keyword. Amazon then applies that bid to the entire bucket of search terms that match to it.

Example: If you’re bidding on “holiday sweater” as a

broad/phrase match keyword, Amazon might show your product to someone searching for "holiday sweater for dogs" – which would not result in sales, as it's completely different from what you're selling.

Search term isolation redefines how brands should manage their advertising on Amazon.

Follow these steps to make sure your search terms are properly isolated:

- Look at your search term reports frequently (or use technology that can read the report for you) and look at search terms that have at least one sale.
- Move these converting search terms into specific campaigns as an **Exact Match** keyword.
- Negate the same converting search term from all other campaigns.

Following the above steps will allow you to control your bid on this search term specifically, rather than trying to set a bid on a bucket of search terms.

#3: Effective bid management

Although this seems obvious, bid management is a lot more complex than most advertisers realize. As we mentioned above, Amazon's advertising platform only really allows you to control bids for exact match keywords. Phrase and Broad keywords manage a bucket of search terms, which limits your ability to control the CPC.

Here are some common scenarios you might encounter when optimizing your bids:

- If there are low ad sales and high ad spend – Bid down on your keywords
- If there is a high conversion rate and low impressions – Increase the bid to capture more traffic and sales

- If there are high clicks but low sales and low conversion rate – Check your price and detail page content to make sure they're competitive and encouraging conversions
- If there are high impressions but low clicks – Optimize your product image & product title to get a better click-through rate.

Using an auto-bidding technology, like Prestozon, you can calculate which bid price is needed to reach ACoS goals (higher or lower), automatically. If you don't have a tech partner, you can use simple math and this equation to help you calculate your bids:

- Bid = Average Sale Price x Target ACoS (decimal) x Search Term Conversion Rate (decimal)

Conclusion

We hope these tips to lower your ACoS will help you save money on wasted ad spend and reinvest those funds in your business. Whether you decide to tackle this on your own, with the help of auto-bidding technology, or hire an agency partner, these strategies will help stretch your ad dollars further.

And remember, even if your ACoS isn't skyrocketing yet, Amazon is just getting started with their advertising business and things are about to get crazy, really soon.

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About The Author

Trevor George is founder and CEO of Blue Wheel Media, a digital marketing agency. He is also the President of Trevco, a leading licensing company. Trevor is one of the largest 3rd Party sellers on Amazon in the U.S., catapulting Trevco into an 8 figure business on Amazon in less than 2 years. Trevor puts a heavy focus on the Amazon Advertising division at Blue Wheel Media, which has helped major global brands achieve massive scale through an advanced strategy called “search term isolation” coupled with technology. Over the past decade, Trevor has helped drive numerous digital marketing initiatives which resulted in American Business Awards wins for Blue Wheel: 3X Marketing Campaign of the Year in 2018, Company of the Year in 2017, and Most Honored Interactive Agency, their Grand Stevie, in 2017.

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