Kenshoo™ and Bing ads

Maximizing Paid Search Potential By Measuring Marginal ROI

USING KENSHOO TO UNCOVER INVESTMENT OPPORTUNITIES

EXECUTIVE SUMMARY

- Portfolio-based forecasting tools can be used to help understand which paid search publishers have the best upside potential.
- By forecasting the *Marginal* ROI of each publisher individually (rather than overall ROI), marketers can compare the value of incremental spending with those different publishers.
- As publishers and channels proliferate, deeper understanding of Marginal ROI and its relationship to program effectiveness will be increasingly important for the agile marketer.
- When applied to primary paid search publishers, Kenshoo found clear incremental opportunities to spend on Bing in a majority of the cases where search publishers were forecast separately.

INTRODUCTION

WHERE SHOULD I SPEND MY **NEXT** MARKETING DOLLAR?

This is a question that has bedeviled marketers for years, with approaches to answering it ranging from the dartboard to the highly technical. In the latter category, forecasting tools endeavor to answer it by modeling past behavior, and in some cases, anticipating future events that may further affect outcomes.

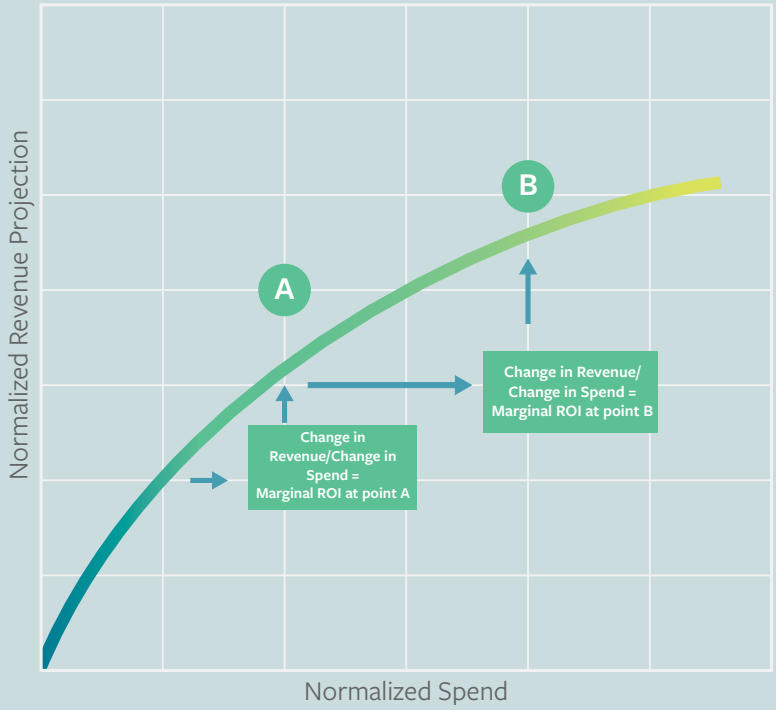
The typical role of forecasting is simply to predict future results in total, but by manipulating the inputs of these tools, marketers can build out specific scenarios to answer key marketing questions, like the one posed at the outset of this document, and more simplistically: *where will I see the biggest bang for the next buck I want to spend?*

The simple answer is that portfolio-based forecasting tools can help us find an educated answer to this question, and can be understood more deeply with a bit of math.

FORECASTING AND MARGINAL ROI

For this analysis, we translate this common question to mean "which publisher in my program has the highest marginal ROI, and when does that marginal ROI become unattractive to me as a marketer?" Normally, Return on Investment (ROI) is just total revenue divided by total spending. By comparison, marginal ROI only looks at the increase in revenue that is predicted from the increase in spending. For example, if my spending increases from $80,000 to $100,000, and my forecasting tools predict that my revenue would increase from $200,000 to $230,000, the marginal ROI of that $20,000 is 1.5 ($30,000/$20,000).

MARGINAL ROI CURVE EXAMPLE



If this is starting to ring a bell, that's because at some point in the past you may have taken a calculus class. The Marginal ROI is the *slope of the curve* that you get when you plot predicted revenue against spend, and it depends on where you are on the x-axis. An incremental $20,000 when you're spending $80,000 behaves differently than when you're spending $800,000.

PREDICTING MARGINAL ROI BY CHANNEL

Many forecasting tools consider the entirety of a marketing—in this case, paid search—program, which makes it difficult to understand the investment opportunities at a publisher level (i.e., Google vs. Bing). In cases where forecasting can be more easily separated out by publisher, with separate profiles/campaigns for those publishers, we are able to use the analysis described so far to compare individual publishers and determine which has the greater investment opportunity compared to current spending levels.

With separate forecasts for separate publishers, we will end up with a curve for each, along with a point on the curve that represents the current spending level. From here, it is simply a matter of which curve has the higher marginal ROI at that point.

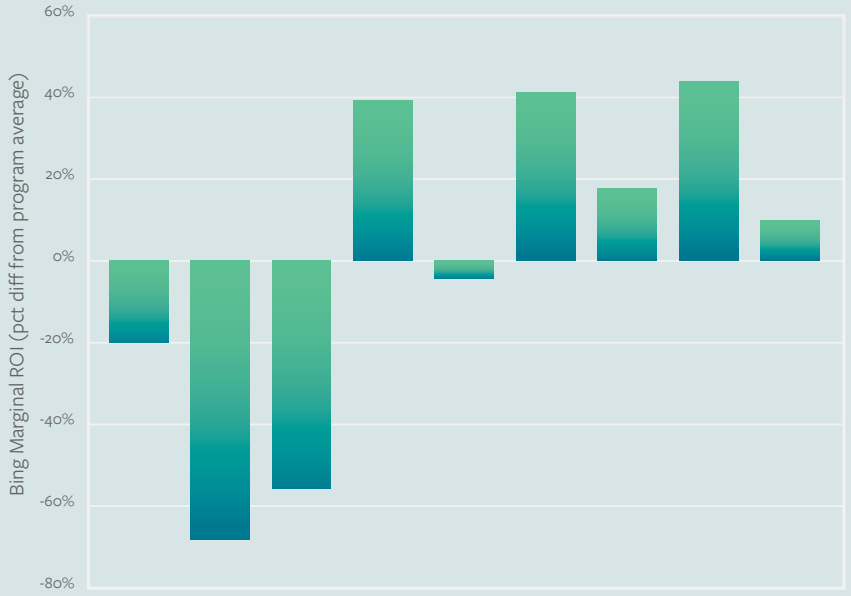
TWO-CHANNEL FORECASTING EXAMPLE

In this example, the overall curve for Publisher A is lower, but at the current level of spending, you can see that the slope of the curve is actually greater. This indicates that, despite Publisher B having a higher overall ROI, investing your next marketing dollar on Publisher A would give you greater incremental return for that particular dollar, and will continue to do so until Publisher A spending moves further up the x-axis where the slopes of the two curves become more similar.

MULTI-ADVERTISER ANALYSIS

Microsoft has commissioned Kenshoo to look specifically at this analysis as a way to understand the spending potential for Bing Ads. We identified nine Kenshoo paid search programs where the advertiser created separate profiles for each paid search publisher, which allowed us to analyze which publisher yielded the best return on the next dollar of investment.

BING MARGINAL ROI AS % OF PROGRAM AVERAGE MARGINAL ROI (9 PROGRAMS)



In 5 of these cases, our analysis revealed it would make the most sense for the marketer to invest their next dollar on Bing. Three cases showed that dollar could be better spent elsewhere, and the last case showed no clear "winner" in this scenario.

Given the nature of the paid search market, it should not be altogether surprising that Bing holds a bit of an edge here. For example, marketers frequently put many of their eggs in the basket of a single search engine, where they may face greater competition and price pressure, and subsequently receive a considerable amount of attention and optimization. As a result, the next most immediate opportunity for efficiency might be on another publisher.

This may be easier to understand by referring back to the data visualization for the two-channel forecasting example. If you are underspending on a publisher, you are much more likely to be on the early, steep part of the response curve. Once that spending "catches up" with the dominant publisher, there will be less of a difference in Marginal ROI, as the multiple curves all begin to flatten.

The net result is that marketers using Bing Ads as part of their paid search strategy may well be able to benefit from a higher marginal ROI for their next dollar of investment, and should keep this in mind when analyzing and optimizing their campaigns.

THE PROLIFERATION OF DIGITAL CHANNELS

This two-publisher paid search example shows how a historically less-competitive channel can have greater upside for incremental investment, but we do not live in an advertising ecosystem with one channel and two publishers.

New channels and publishers are emerging regularly, and each of those will present opportunities for marketers to gain additional traction with their customers, and independent, third-party platforms are well-positioned to give you the best understanding of where those opportunities lie. Strategic use of portfolio-based forecasting across channels and publishers is a valuable tool in the marketing toolbox that can help make sense of those opportunities and help you make smarter, more data-driven decisions, and put you on the path of being a truly agile marketer. Talk to your marketing partners about how you can evaluate the Marginal ROI of your publishers, in paid search and beyond, to maximize your digital investment.

ABOUT **KENSHOO**

Kenshoo is the global leader in agile marketing . Brands, agencies and developers use the Kenshoo Infinity Suite to direct nearly $350 billion in annualized client sales revenue through search, social, mobile, and display advertising. Kenshoo powers digital marketing campaigns in more than 190 countries for nearly half of the Fortune 50 and all 10 top global ad agency networks. Kenshoo has 27 international locations and is backed by Sequoia Capital, Arts Alliance, Tenaya Capital, and Bain Capital Ventures. Please visit www.Kenshoo.com for more information.

ABOUT **BING ADS**

Bing ads

Your life doesn't fit in a box. Neither should your search. Here at Bing we know that search is evolving and finding what you need requires more than a search box and list of links. Consumers aren't just searching, they are seamlessly navigating between channels and devices. Evolving inputs are creating new scenarios and new user signals are building connections that bring in personally relevant information. Learn about how new search experiences powered by Bing, like in Windows 10, can provide advertisers new opportunities to reach consumers.