

THE
25/25
RULE
OF AMAZON PPC SPEND



Introduction

BRENT ZAHRADNIK, BOBSLED MARKETING

Unlike other strategies like giving away dozens or hundreds of free products to get a short-term boost in sales and increasing the number of reviews, ad spend can be closely monitored, with a clear ROI. You can see exactly how much is cost to acquire a sale.

While most Amazon sellers need no extra convincing that PPC is a good idea, they do want to know how much they should be spending on ads. The truth is, you should be spending as much on ads as is profitable for you. If every \$1 you spend on ads is producing \$20 in sales, you probably want to push as many dollars through that pipe as you can.

Another factor is the competitiveness of your product category. In competitive categories like nutritional supplements, competitors are willing to place high bids on popular keywords, pushing the cost of advertising up as high as a few dollars per click. In other categories with less sophisticated competitors, the cost per click on some keywords can be just a few cents.

Still, it's helpful to have some guidelines in place around ad spend.

The 25/25 rule

Our PPC Specialist Brent spends every day setting up, analyzing, and optimizing Amazon PPC campaigns. He discovered a rule of thumb that helps sellers to estimate what their ad spend should be for Amazon Sponsored Products which we call the 25/25 rule.

25% target Advertising Cost of Sales (ACoS)

ACoS is the cost of your ad campaign relative to the sales that it generated. Say you spent \$250 on a PPC campaign last week, which directly drove \$1000 in product sales. Your ACoS would be 25%. Ideally, your ACoS would be 20- 25%. That's the comfort zone for an established, mature campaign in a category which is not overly competitive. Lower is great of course!

Some accounts may have a lower overall ACoS if they are in less competitive categories, or if their competitors just don't utilize PPC (or don't do it well). Conversely, brands in very competitive categories may struggle to get to a 25% average ACoS as some of the most lucrative and high-volume search terms are being aggressively bid against by other sellers

25% of sales to be sourced through PPC

This is the percentage of overall unit sales which were attributed to ad campaigns versus organic sales in a given time period such as a week or month. Anywhere from 15% to the low 30s is the sweet spot.

Having less than 10% of your sales being attributed to PPC means you're running a very profitable campaign, but might be losing out on increased sales volume by bidding too conservatively and limiting your budget, or are using too small of a keyword set. Seeing a percentage of revenue from ads higher than 35% means you might be relying too heavily on paid advertising efforts to drive sales, and may want to examine increasing your rank organically for high-priority terms customers use to find your product. The ideal scenario is to have your percent of sales from ads remain steady while watching your overall revenue grow month-to-month. That means they are

BOTH larger!

Ultimately, 25% of revenue attributed to advertising efforts is a happy medium between the two extremes and a good target to shoot for, and a sign of a healthy PPC account.

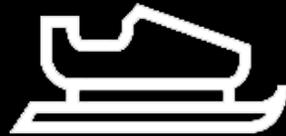
SO WHAT ABOUT A HARD DOLLAR AMOUNT TO SPEND EACH MONTH ON PPC?

The minimum amount you can spend each day on Amazon Sponsored Product Ads is \$5, so you'll need to spend at least \$150 a month on ads. From there, you can use the 25/25 heuristic to calculate an appropriate budget based on your target monthly revenue.

If your target monthly revenue on Amazon is \$20,000/month, your likely spend under the 25/25 rule will be **\$1,250**. Let's break that down.

Total sales to be sourced from PPC: 25% of \$20,000 = \$5,000

Target ACoS (25%) of \$5,000 = \$1,250



Bobsled Marketing

Get more tips from Brent about running a efficient and effective **Amazon Sponsored Products campaigns in this short video**. And if you don't have the time or patience to set up and optimize your Amazon Sponsored Products campaign, **contact us** to see how we might be able to help.

TALK TO
US