

What is Cannibalization?

As marketers look for new ways to cut costs and increase their ROI, they are also re-thinking the true value of SEO and PPC. Many marketers are asking the question: “Why pay for clicks when I have a top Organic position and get these clicks for free?” while others are wondering: “If my PPC campaign is doing well, why should I do SEO?”

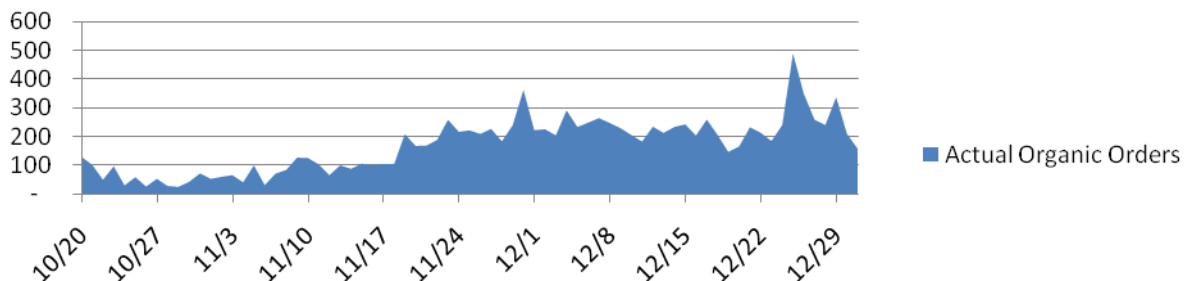
The question you *should* be asking is “How do PPC and SEO work together?” As you may have guessed, PPC does take some clicks that otherwise would have gone to SEO, a process known as cannibalization. Despite this phenomenon, PPC and SEO yield many benefits when used together. The following test will analyze both the positives and negatives of using both PPC and SEO.

IMPAQT Tests Cannibalization in Action

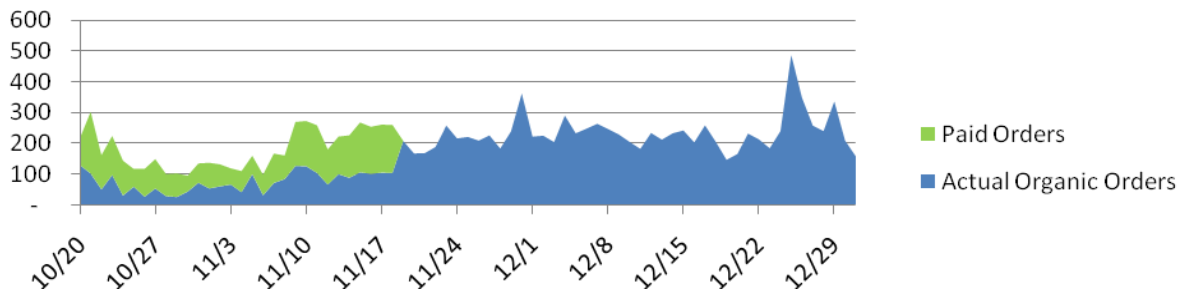
Turning off an entire PPC effort is not recommended, therefore making it difficult to test for cannibalization. However, a perfect opportunity arose, when an IMPAQT retail client ran out of inventory for a particular item. The client decided that they needed to pause their PPC campaign, in avoidance of spending advertising money with an out-of-stock item.

When looking at the numbers from the graphs below, keep in mind that this is a retail client and therefore will always see a spike in orders during the holidays, which was taken into consideration during the study.

We began with identifying actual organic orders.

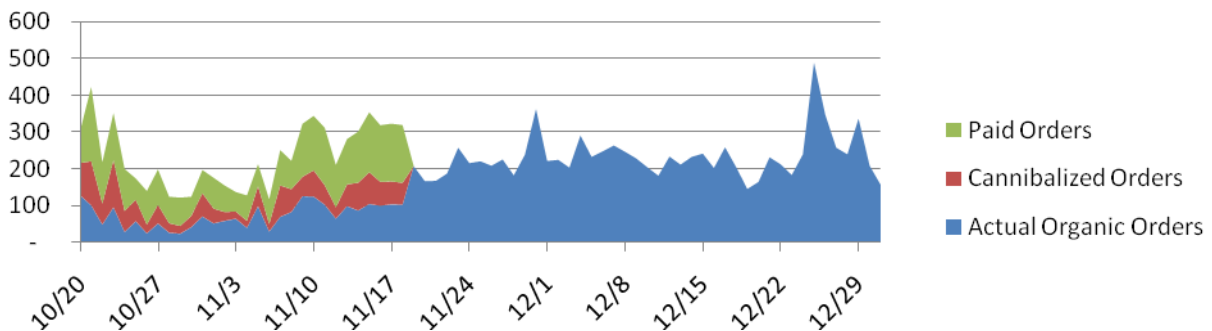


Next, we identified the orders from the Paid Search ads before they were paused.



Finally, we needed to know how many Organic orders the client would have received if Paid Search was not running. To answer this question, we used SAS business intelligence software to create a statistically accurate model based on data from when Paid Search was not running. This model shows how many orders we would have received without Paid Search from October 20th through November 19th.

The item in red represents cannibalized orders that were calculated, using this method.



Results

It is true that you get more clicks from Organic listings when you don't run PPC ads, that Paid Search does cannibalize orders from Organic orders, and that you pay for Paid Search clicks but not for Organic clicks. *However*, what is most important to look at are the incremental orders generated from Paid Search that are over and above the orders generated from just Organic traffic, which would not have been realized without PPC.

From this study alone, we found that there were a little more than 1,600 cannibalized orders that accounted for the cannibalization of \$359,000 while the PPC campaign was running. However, the study really shows insight in how the retailer lost more than 3,400 incremental orders and \$650,000 in revenue while PPC campaigns were paused just one month and with only one product.

How PPC and SEO work together:

There is significant opportunity in running PPC and SEO efforts together. Through IMPAQT's several cannibalization tests, it was found that when PPC is combined with SEO, you will yield the following benefits, despite the cannibalized Organic clicks.

1. Keeping Competitors/Affiliates from Taking Your Customers - Without Paid Search, competitors are provided the opportunity to move your organic ranking to as low as fourth place by having their own ad(s) appear on your branded terms. PPC not only helps you get incremental revenue/orders, but also keeps competitors out of a space that you should own.

This also brings up the issue of affiliates. You could be competing with affiliates for your own product, which is causing your company a reduced profit margin. You might also find both you and your affiliates are bidding on the same terms, raising the price of your campaigns, and inadvertently raising the price for both companies to market the product.

2. More Precisely Targeted Campaigns - PPC allows marketers to target their efforts more precisely. Oftentimes, the product description or even its name and its price may not be featured in an Organic listing. With PPC, marketers can include the item name and the price in the ad copy. This opportunity provides marketers a vehicle to catch more searchers in the transactional phase of the buying cycle versus the informational. Searchers who click through during the transactional phase of the buying cycle are more likely to buy than those in the informational phase.

A bonus often found in our studies is that running more targeted campaigns with PPC as the average value of an order received through PPC is greater than with just Organic.

3. Increased Brand Awareness - PPC also contributes to brand awareness. If a brand has strong Organic visibility, marketers should expect this to influence consumer perception. Because brand awareness and perception lifts when searchers are exposed to a brand or company via Search results even without clicking through, it's obvious that the value in Search goes beyond a click-through rate.
4. Better Budgeting - Marketers should find the ratio of clicks they paid for versus what would have been free with Organic in order to properly adjust their budgets. It's also important to attribute clicks and conversions to the right sources, without losing sight of all the other benefits of Paid Search.

The bottom line is that even though Paid Search can cannibalize orders that would have been received from a high Organic ranking, it also immediately drives incremental revenue; along with creating brand awareness that has long-term effects on revenue.