Amazon has recently rolled out a series of new Amazon PPC features — among them the intriguing options ‘Campaign Bidding Strategies’ and ‘Adjust Bids by Placement’. Intriguing and scary — many marketers and Amazon sellers feel overwhelmed and intimidated.

They worry that these changes will ruin all their existing well-optimized campaigns.

Other Amazon sellers are, in contrast, very excited about new bid opportunities. They see the updates as new ways to outperform their competition, as an upgrade to their toolkit — to clear that hedge and bring home exceptional returns.

The difference between these two mindsets usually defines success and failure.

If you are one of the people excited about these new features, this article will help you get a quick understanding of how the new PPC updates work and give you ideas on how to implement these features for your business.

And if you happen to be worried about these updates, this article will hopefully get you excited and shift that mindset.

Amazon Dynamic Bids — How do they work?

Bid modification and range — Explained

With Dynamic bidding, Amazon adjusts your bid according to the probability of a sale.

You have three options to choose from:

- **Dynamic Bids — Down Only**: If a click is less likely to convert the bid is reduced by up to 100%. Only search queries that are very unlikely to convert will lower a bid to 0.

- **Dynamic Bids — Up and Down**: If a click is likely to convert, Amazon will raise your bid up to 100% for placements at the top of the 1st page of search results and up to 50% for all other placements.

- **Fixed Amazon Bids**: Dynamic bidding is deactivated and bids remain the same. Amazon always uses your
default bid.

Example: When using dynamic bidding ‘Up and Down’ and a default Amazon bid of 1 USD, your bid can range from 0 to 2 USD.

What happens with my existing campaigns?

The first thing you may ask yourself is:

“Ok, so what happened to my running campaigns after Amazon released the new bidding strategies?”

All your existing campaigns have been set to ‘Dynamic Bids — Down Only’ (and this is also the default option for new campaigns you will create).

In fact, ‘Down Only’ dynamic bidding is how Amazon handled your bids all the time, even before releasing the bidding strategies.

They just didn’t communicate this fact. So if you don’t edit your settings, your campaigns will just keep running as before. You don’t have to do anything.
Bidding by conversion likelihood — Explained

But how does Amazon decide which impression is more likely or unlikely to convert?

We as sellers have a fair understanding of how our keywords perform, what time of the day yields the best conversion rate, and a few other data points.

Amazon, on the other hand, has a vast amount of information about each user: the product niche, time of the day, time of the month and all kinds of other data that contributes to the likelihood of a search query converting.

No human brain could ever make sense of so many different clues, and this is where AI enters the picture.

Machine learning will use all kinds of data to judge which impression/click is the most likely to result in a sale. The problem with machine learning is that it needs a significant amount of historical data to make these judgments with accuracy.

The data can be divided into the following three categories. Here are a few examples of what sort of data Amazon may be looking at:

Data about the human behind the search query

Let’s call our shopper Tina.

- Does she buy every time she looks for something? Or does she use Amazon to compare prices?
- When is Tina’s favorite time to shop? Does she buy the first thing she sees? Or does she usually screen a few products before she decides to buy?
- Does she consider the Sponsored Products on a product detail page?
- What mood is Tina in when she searches for a product? (Actually, AI can’t figure this one out quite yet... but maybe sometime soon?)

Data about the niche

- What time of the day do people buy products within a certain niche? What time of the year?
- Which keywords convert best within the niche?
- What kind of people usually buy these products (sex, age, interests, etc.)?

Individual Products

- Same info as for the niches but on a more detailed product level
- How does the product perform at different placements?
- Performance history of the ad and similar ads

Would you like to learn more? Get access to valuable insights and proven best practices in our Sellics Academy.

Adjust Amazon Bids by Placement — How does it work?

Another new way to get into the nitty-gritty of Amazon PPC and use it to implement your strategies is the new ‘Adjust bids by placement’ feature.

You can now let Amazon automatically increase your bid by up to 900 % for ‘Top of Search’ and ‘Product Pages’ placement auctions.
Amazon adds, removes, and shifts SP placements quite frequently. As for now, Amazon divides the placement into the following categories.

- **Top of Search**: Sponsored products ads at the top row on the first page of search results.
- **Product Pages**: ‘Product pages’ refers to sponsored products placements on the product details page, and other placements outside the search results, like the add-to-cart page.
- **Rest of Search**: All other placements in the search result that come after ‘Top of Search’

When using a placement adjustment for ‘Top of Search’ or ‘Product Pages’ of 900 %, and a default bid of 1 USD, your bid can range from 1-10 USD.

Regarding your old campaigns that used Bid +, Amazon has shifted them to placement adjustment, with 50 % for ‘Top of Search’ (virtually the same thing).

**Using the new bidding controls in Sellics**

You can now easily set, view, and edit your bidding strategy within the Sellics PPC/AMS manager for Sellics Seller Edition and Vendor Edition.
Using Placement Multipliers and Campaign Bidding Strategy together: What determines my Amazon bid range?

How does Amazon determine your bid range if you are using both bidding strategies and placement modifiers?

Here’s your answer: First, for every single auction or impression, Amazon takes your default bid and increases it depending on the placement and your placement modifier (adding up to 900% of your default bid).

Second, the bid range is determined by the dynamic bidding factor (reducing your modified bid down to 0 USD or adding up to 100%).

Let’s say you choose the following settings:

- Default Amazon Bid: 1 USD
- Bidding Strategy: Up and Down (+100% Top of Search, +50% all other placements)
- Top of Search: +900%
- Product Pages: +400%

Here is an overview of all possible bids:

How to calculate the maximum bid for ‘Top of Search’ on Amazon?
1. Add the placement adjustment to the default bid.

   Default Bid   Placement Adjustment
   ↓          ↓
   1 USD + (1 USD * 900%) = 10 USD

2. Add the dynamic bidding increment (100% for 'Top of Search') to the outcome.

   Outcome after placement adj     Dynamic Bidding, 100% for 'Top of Search'
   ↓          ↓
   10 USD + (100%) = 20 USD

**How to calculate the maximum bid for 'Product Pages'**

1. Add the placement adjustment to the default bid:

   Default Bid   Placement Adjustment
   ↓          ↓
   1 USD + (1 USD * 400%) = 5 USD

2. Add the dynamic bidding increment (50% for anything but 'Top of Search') to the outcome:

   Outcome after placement adj     Dynamic Bidding, 50% for 'Product Page'
   ↓          ↓
   5 USD + (50%) = 7.5 USD

**Note: How does dynamic bid reduction work (both in 'Up and Down' and 'Down Only') on Amazon?**

Down adjustments in 'Up and Down' and in 'Down Only' dynamic bidding work the same.

When Amazon reduces your bid, no matter what your default bid is, it can go all the way down to 0 if a conversion is very unlikely.

The best way to learn all about selling on Amazon. Join our Sellics Academy.

Strategies and creative ideas on how to maximize your returns!

Every product and niche is different, with its unique properties and PPC requirements.
Some strategies apply to all products, but figuring out what works best for your particular product will always pay off the most.

Amazon’s **AI-powered algorithm** will do a lot for you, but it **has limits**.

It will perform weaker without any historical data. It can’t be creative and won’t be able to apply any long-term strategies that go beyond immediate conversions.

**What’s the easiest way to get started with dynamic bids?**

A lot of experts recommend using dynamic bidding only with products and campaigns that already have collected some data.

While you should be cautious when applying these new features and take your time testing the results, it is safe to assume that even with a relatively new product, Amazon will already have a large amount of data available, to judge which search query is more likely to convert.

That said, the more data about your specific product Amazon has at its disposal, the better the outcome will be.

**Amazon’s recommendation**

Amazon recommends getting started by switching an existing campaign that already has sales history and has been consistently performing well, from ‘Down Only’ to ‘Up and Down’.

After running the new campaign for at least two weeks, you can then compare it to its past performance.

For your well-performing campaigns, you have probably changed your bids multiple times to achieve the best results.

When starting with Amazon dynamic bidding ‘Up and Down’, you will have to experiment with your bidding once more. When you choose your default bid, you will not know exactly how much your average CPC will be with dynamic bidding.

On top of this, every product, campaign, and niche has a different outcome. The challenge is, therefore, to find out which bid achieves the lowest CPC and ACoS while still being high enough to win enough auctions, generate a good amount of impressions, clicks, and conversions.

**Amazon’s caution (a.k.a. “Don’t do this”):**

- **Don’t run ‘Down Only’ and ‘Up and Down’ campaigns simultaneously to compare results.** (They will be bidding against each other in the same auction)

- **Don’t set up a new ‘Up and Down’ campaign and try to compare to an old ‘Down Only’ campaign.** The older campaign will likely perform better as it has more data.

- **Don’t copy an existing campaign and set it to ‘Up and Down’**. When you copy a campaign the sales history data is not transferred.

**Campaign Bidding Strategies: Our recommendations**

We agree with Amazon’s recommendations on how to get started. In addition, we suggest the following:

**Determine Your Position in the Optimization Cycle**

Let’s assume you are already optimizing your PPC campaigns. That means you’ve started with a large and broad selection of keywords and targets, then filtered out the ones that are not converting (added them to a negative list) and scaled the ones that are doing well.

‘**Down Only**’ for the beginning of the cycle

We recommend using ‘Down Only’ for campaigns that are still at the beginning of the cycle when you don’t
know how well each of the KWS/ASINs/Placements will perform.

**Focus**: Cost reduction.

'Up and Down' for your optimized campaigns

For the well-optimized campaigns, you should try using 'Up and Down' bidding. This way, Amazon will only raise your bid for those KWS/targets that you know perform well.

**Focus**: Sales and efficiency.

When to use 'Fixed Bids'

There are a few occasions where fixed bids can be used to achieve specific goals:

- The maximum amount of sales (at any cost), for example for product launches.
- Brand visibility/awareness, when you want your brand/product to be seen by as many people as possible.

**Focus**: Impressions and sales.

How to get started with adjust bids by placement

The Sponsored Products Placement Report

To track and optimize the new placement adjustment strategies, Amazon has equipped us with the placement report. To get started, we use the **lowest hanging fruit**: the data we already have.

Here's what the new placement report looks like:

<table>
<thead>
<tr>
<th>Start Date</th>
<th>End Date</th>
<th>Portfolio name</th>
<th>Currency</th>
<th>Campaign Bidding strategy</th>
<th>Placement</th>
<th>Impressions</th>
<th>Clicks</th>
<th>Cost Per Click (CPC)</th>
<th>Spend</th>
<th>7 Day Total Sales</th>
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<td>EUR</td>
<td>auto-5-5 Dynamic bids</td>
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<td>0.00</td>
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Sellics Placement Report

With Sellics you have an easy to read dashboard where you can quickly identify what placement has worked best for which campaign. You can usually find big differences in your placement performance and **drastically** improve your campaigns with the right placement adjustment strategy.
You can see how well each of your campaigns performed within the different placement categories.

Take a good look at your placement reports and see which placement worked best for which product and campaign.

You should consider campaigns that have been running for a while and accumulated a sufficient amount of data.

Look out for the placements that have resulted in the lowest ACoS for your campaigns.

After figuring out what worked best, you can do the following:

Let’s say your campaign has worked best for placements on ‘Top of Search’.

Calculate how much you are willing to spend on a ‘high conversion probability’ and a click for a ‘Top of Search’-placement (i.e. dynamic bid up and down & placement adjustment).

Since you want your SP to show only on the ‘Top of Search’, your Amazon bid for ‘Product Page’ and other search results placements should be very low.

Your bid for ‘Top of Search’ should, in turn, be sufficiently high.

To bid as little as possible for ‘Product Page’ placements, choose a 900 % adjustment for ‘Top of Search’ and 0 for ‘Product Page’ placement. You can also use this strategy with the dynamic bidding ‘Up and Down’.

But how do I know how much my default bid should be?

- **Step 1:** Determine the maximum CPC you are willing to pay (with a favorable placement and conversion rate)
- **Step 2:** Determine the default bid that will yield this maximum CPC

**Calculating your Max Amazon Bid**

You need to consider the dynamic bidding strategy (when you are using ‘Up and Down’) and the placement adjustment percentage of 900 % (please note that Amazon’s suggested bid does not change when you choose different bidding strategies or the placement multiplier).

**Step 1:** Determine the maximum CPC you are willing to pay

Let’s assume the following:

- Product price: 333 USD
- Profit margin: 25 %
- Conversion rate for a ‘Top of Search’ placement: 10 %
- Target ACoS: 15 %

**How much can I spend on ads per sale?**

Your target ACoS is the percentage of revenue you can/want to spend on ads per sale. Alternatively, you could use your profit margin (profit margin = break-even ACoS).

$$= 333 \text{ USD product price } \times 0.15 \text{ target ACoS } = 50 \text{ USD}$$

**How many clicks do I need on average per sale?**

With a conversion rate of 10 %, you get 10 conversions on 100 clicks on average, so the number of clicks you need per conversion is:

$$100 \text{ clicks } / 10 \text{ conversions } = 10 \text{ clicks}$$
What is the maximum CPC I am willing to pay?
With the two previous results, you can now calculate your CPC max.

50 USD / 10 clicks = 5 USD CPC max.

Please note that not all your clicks will cost you 5 USD. You can start with this default bid and slowly raise your bid or placement adjustment until you have the most clicks/sales while staying within your target ACoS.

Step 2: Determine the default Amazon bid that will yield this maximum CPC

You can now work your way back to your default bid with the following two steps:

a) Calculate the bid before the dynamic bidding increase

\[
\begin{align*}
\text{Max Bid} & \quad \text{100% Dyn. Bid} & \quad \text{Max Bid Before} \\
\downarrow & \quad \downarrow & \quad \text{Dyn Bid} \\
5 \text{ USD} / 2 & = 2.5 \text{ USD}
\end{align*}
\]

b) Calculate the bid before the placement adjustment

\[
\begin{align*}
\text{Max Bid Before} & \quad 1+9 (900\%) & \quad \text{Standard Bid} \\
\text{Dyn Bid adjustment} & \quad \text{Placement adj.} & \\
2.5 \text{ USD} / 10 & = 0.25 \text{ USD}
\end{align*}
\]

Outcome

Your default Amazon bid should be 0.25 USD.

This way you are bidding up to 5 USD for the ‘Top of Search’ placement and only 0.38 USD for all other placements.

As a result, almost all impressions go to ‘Top of Search’ — knowing that your ACoS is the lowest for this placement will help you maximize your profits.

And since you won’t be paying more than 5 USD per click, you also ensure that you will not exceed your target ACoS.

Would you like to learn more? Get access to valuable insights and proven best practices in our Sellics Academy.
Other theories you can test

With Amazon PPC you should always be on the lookout for new targets that have a high potential of performing well. Here are two examples of how to get creative when finding new targets.

**Long-tail keywords and specific products vs. short-tail KWs and generic products**

Search for ‘Yellow Samsung Note 9 Cover With Cat Picture’ on Amazon, and you will probably be happy if it pops up and you’ve found this, after all, very particular product.

Without many other options, there’s a big chance you buy the first one you see.

The longer and more detailed the search term/keyword is, and the more your product matches this description, the higher the likelihood of an immediate conversion.

If your product happens to be very specific and has long-tail keywords, you should try ‘Top of Search’ placement and test its performance.

**High Ticket vs. Low Ticket Products**

When you are looking to buy a product in the price range of 200+ USD, what are the chances that you buy the first one you see?

Probably not very high. You will most likely browse through a few product pages before you find the one you want.

If you carry high ticket products in your portfolio, check the placement report and see if they perform better on the ‘Product Page’ placement.

These are just some examples to get your creative juices flowing. You should think of what could work best for your product, put it to test, scale what worked, and drop what didn’t.

**Optimize your Amazon Bidding Strategies with Sellics**

You can now easily set up, analyze, and optimize your bidding strategies in the PPC/AMS Manager for Sellics Seller Edition and Vendor Edition.

Our easy-to-use interface lets you comfortably bulk edit your bidding strategies.

Try Sellics for free now!