tradeswell.

Tradeswell ratchets up margin growth for DTC tools brand

Analysis by the Tradeswell platform shows that for effective margin growth through search promotions, ecommerce businesses need to think differently - particularly when it comes to campaign measurement.

13%

YOY top-line revenue growth

1x

YOY growth in penny profit

6%

YOY growth in contributed net-margin

The objective

To increase margin across the 58 products the company sells on Amazon.

The context

The DIY hardware market has never been stronger and is expected to grow by $119 billion through 2023. With such a large market, there's a lot of opportunity for businesses to achieve both revenue and profit.

The approach & insights

Analysis by the Tradeswell platform showed that for effective margin growth through search promotions, the practice of measuring based on Return on Ad Spend (ROAS) isn't an effective measure of success. The right advertising approach can increase profit, top-line sales, and new customer acquisition — even if ROAS declines.
To increase margin, the brand promoted its most profitable products against relevant search queries in real-time, which were traditionally larger products. Our machine learning algorithms went to work and revealed that relevant to search queries, small products were in fact more profitable due to factors such as relative shipping costs. Armed with this intelligence, the platform adjusted its promotions in real-time to target search queries with the right, sometimes smaller version of the product.

The result

This 'mix-shift' strategy — shifting attention from one group of products to another — was a huge success for the brand and resulted in:

112% YOY top-line revenue growth
3x YOY growth in penny profit
47% YOY growth in contributed net-margin

What's next

As the ecommerce market for tools and home improvement continues to expand globally, the brand looks to reapply much of this same strategy to other markets such as Europe and Japan.