

FREE GUIDE 01 / 04

The ACoS Reduction Playbook

A step-by-step framework for cutting wasted Amazon ad spend and scaling your brand profitably in 30 days.

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90% -> 18%

ACoS achieved in 8 weeks

40-60%

Avg spend wasted by sellers

30 days

To see measurable results

Introduction

If you are running Amazon Sponsored Products campaigns, there is a good chance you are losing money on keywords that never convert. Research consistently shows that 40 to 60 percent of the average seller's ad budget is consumed by search terms that generate clicks but zero purchases — and most sellers have no system in place to find and eliminate them.

ACoS — Advertising Cost of Sale — is the most watched metric in Amazon PPC, and for good reason. It tells you how many rupees (or pounds, or dollars) you are spending in ads for every rupee of ad-attributed sales. An ACoS of 50 percent means you spend Rs. 50 to generate Rs. 100 in sales — and once you factor in COGS, fulfilment, and marketplace fees, most brands are losing money at that level.

We took a client's ACoS from 90% down to 18% in just 8 weeks adding negative keywords, and fixing bid strategy. No black-box proper account management.

This guide gives you the exact five-step framework we use. It is written for sellers who are already running ads and want to stop bleeding spend — not for complete beginners. Work through each step in order, and by the end of 30 days you should see a meaningful drop in ACoS alongside stable or growing sales volume.

Chapter 1: What ACoS Actually Means

The Formula

ACoS is calculated as: **Ad Spend divided by Ad Revenue, multiplied by 100.**

If you spent Rs. 10,000 on ads and generated Rs. 40,000 in ad-attributed sales, your ACoS is 25 percent. Simple — but the number alone tells you very little unless you know your break-even ACoS.

Break-Even ACoS

Break-even ACoS is the point at which your ad spend exactly cancels out your profit margin. The formula is:

Margin %

Example: If your net margin on a product (after COGS + FBA fees) is 28%, then your break-even ACoS is 28%. Any ACoS above this means you're losing money on an ad-driven sale.

Target ACoS vs Break-Even ACoS

Your **target ACoS** should be lower than your break-even — how much lower depends on your strategy. If you are in a launch phase and prioritising rank over profit, you might accept ACoS at or slightly above break-even. If you are in a maturity phase and prioritising cash flow, your target ACoS should be 50 to 70 percent of break-even.

Phase	Target ACoS vs. Break-Even	Goal
Product Launch	100-120% of break-even	Rank & reviews
Growth	80-100% of break-even	Volume + profit balance
Maturity / Scale	50-70% of break-even	Maximum profitability
Harvest / Defend	Below 50% of break-even	Pure margin

Chapter 2: The 5 Root Causes of High ACoS

Before you can fix ACoS, you need to diagnose why it is high. In our experience managing 50+ accounts, high ACoS almost always traces back to one or more of these five root causes.

1 Poor Campaign Structure

Auto campaigns dumping into broad match with no negative keywords. All products lumped into single campaigns. No separation between research and performance campaigns. This is the most common problem we see — and the easiest to fix.

2 No Negative Keyword Strategy

Without systematic negative keywords, you keep paying for the same non-converting terms week after week. A well-managed account should be adding 15 to 30 negatives per month based on actual search term data.

3 Incorrect Bidding

Default suggested bids from Amazon Advertising are almost always too high. They optimise for click volume, not your profitability. Flat bids across all keywords — regardless of conversion rate — guarantee overspend.

4 Wrong Match Type Usage

Running only Broad match gives Amazon maximum freedom to spend your budget. Without Exact and Phrase match campaigns running in parallel, you have no control over which searches trigger your ads.

5 Listing Does Not Convert

Even perfect PPC cannot fix a broken listing. If your images are weak, your title is keyword-stuffed but unreadable, or your price is uncompetitive, no amount of bid optimisation will hit target ACoS.

WARNING Do not try to fix all five problems simultaneously. Start with campaign structure (cause 1) and negative keywords (cause 2) — these two alone account for 70% of ACoS reduction in the first 30 days for most accounts.

Chapter 3: The 5-Step ACoS Reduction Framework

Step 1 — Audit Your Existing Campaign Structure

Pull up your Advertising console and run a search term report for the last 60 days. Download it to a spreadsheet. You are looking for:

- Search terms with 10+ clicks and zero conversions (instant negatives)
- Search terms with high spend and ACoS above your break-even (review bids or negate)
- Search terms with 5+ conversions that are not already in an Exact match campaign (mine these for Exact targets)
- Single campaigns containing more than 30 keywords (split these up by theme)
- Auto campaigns with no negative targeting at all (add negatives this week)

TIP Use the "Search Term Impression Share" metric if you have access. Terms where you are winning less than 20% of impressions but converting well are candidates for bid increases.

Step 2 — Build Your Negative Keyword List

This is the single highest-ROI action in Amazon PPC. Go through your search term report and add the following as campaign-level negatives:

- Any search term containing competitor brand names (unless you are running conquest campaigns)
- Any search term that is clearly off-category (e.g. "wholesale" or "bulk" if you sell retail)
- Any search term with 10+ clicks and zero orders in the last 60 days
- Terms with ACoS more than 2x your break-even ACoS and fewer than 2 orders
- Irrelevant modifiers: "free", "DIY", "how to", "tutorial", etc.

Commit to reviewing your search term report every 7 days. Set a goal to add at minimum 10 new negatives per week for the first month. This will have eliminated the majority of wasted spend.

Step 3 — Restructure Bids by Conversion Data

Stop using Amazon's suggested bids as your default. Instead, calculate a maximum CPC (cost per click) based on your actual data:

$$\text{Max CPC} = \text{Product Price} \times \text{Target ACoS} \times \text{Conversion Rate} \times \text{Ex}$$
$$\text{Target ACoS} = 20\% \mid \text{Conversion Rate} = 8\% \text{ Max CPC} = 1,000 \times$$

bid

Apply this formula to your top 20 performing keywords. Reduce bids on terms above the maximum CPC. Increase bids on converting terms where you are losing impression share.

Step 4 — Build a 3-Campaign Ladder

The most reliable campaign structure for ACoS control is a 3-tier ladder:

Campaign	Purpose	Budget Split
Auto (Research)	Discover converting search terms	30% of budget
Manual Broad / Phrase	Scale terms from auto that convert	30% of budget
Manual Exact (Performance)	Maximise winners, tight bid control	40% of budget

TIP The key is portfolio-level thinking: Auto campaigns feed keywords into Broad/Phrase, and Broad/Phrase feeds proven winners into Exact. Each tier flows upward, not in isolation.

Step 5 — Fix the Listing Before More Spend

Lowering ACoS through bid cuts alone will reduce sales volume alongside spend. The sustainable path is improving conversion rate — which means every ad click is more likely to become a sale, naturally driving ACoS down without reducing budget.

- Main image: white background, product fills 85%+ of frame, high resolution
- Title: primary keyword within first 80 characters, readable by humans
- Bullets: lead with the benefit, not the feature — what does this do for the buyer?
- A+ Content: if your brand is registered, add A+ content — it can lift conversion by 10-15%
- Price: are you within 10-15% of the category average? Price outliers destroy conversion
- Reviews: fewer than 15 reviews? Prioritise getting reviews before scaling spend

Chapter 4: Your 30-Day ACoS Reduction Checklist

Use this checklist to track your progress. Work through it week by week. Tick each item only when fully implemented — not just planned.

Week 1 — Foundation

- ☐ Calculate your break-even ACoS for your top 5 SKUs
- ☐ Download 60-day search term report from Advertising Console
- ☐ Identify all terms with 10+ clicks and 0 conversions — add as negatives
- ☐ Identify all Exact match conversion winners not already in dedicated Exact campaigns
- ☐ Set up or confirm the 3-campaign ladder structure for your best-selling product
- ☐ Audit listing quality against the 6-point checklist in Chapter 3

Week 2 — Bids & Refinement

- ☐ Calculate max CPC for your top 20 keywords using the formula in Chapter 3
- ☐ Reduce bids on any keyword exceeding max CPC by more than 20%
- ☐ Increase bids on converting Exact keywords with impression share below 30%
- ☐ Add 20+ new negative keywords based on week 1 search term data
- ☐ Pause any ad groups or campaigns with 0 conversions in 60 days and over Rs. 2,000 spend
- ☐ Review product page: update main image if it does not fill 85% of frame

Week 3 — Scale What Works

- ☐ Move best converting Auto search terms into Manual Exact campaigns
- ☐ Set up dayparting: review hourly data and reduce bids during low-conversion hours
- ☐ Review Placement performance: adjust bids for Top of Search vs. Product pages
- ☐ Add A+ Content to your best-selling ASIN if not already present

[] Check competitor pricing and listings — are you still competitive?

[] Add 20 more negative keywords from week 2 search term report

Week 4 — Consolidate & Report

[] Calculate ACoS before and after: compare week 1 baseline with week 4

[] Document which negative keywords had the biggest impact on spend

[] Identify your top 5 converting exact match keywords — protect their budget

[] Set monthly ACoS review cadence: same 4 steps, monthly

[] Set quarterly campaign audit: full restructure if ACoS has drifted above break-even

[] Optional: consider external traffic (Meta Ads + Brand Referral Bonus) for organic rank boost

Key Takeaways

1. ACoS without knowing your break-even is a meaningless number. Calculate it first.
2. Negative keywords are the fastest, highest-ROI action in any Amazon PPC account.
3. Structure beats budget. A well-structured Rs. 30,000/month account will outperform a poorly structured Rs. 1,00,000/month account.
4. Conversion rate is the real lever. Fix the listing and ACoS drops automatically.
5. The 3-campaign ladder (Auto -> Broad/Phrase -> Exact) gives you research, scale, and control in one system.
6. Commit to the 30-day checklist. Small, consistent actions compound into significant ACoS improvement.

ACoS reduction is not a one-time fix — it is a weekly discipline. The accounts that hit 15-22% ACoS sustainably are the ones where we review search terms without exception. The framework above is the system. Execution is the discipline.

Ready to Scale Profitably?

Book a **free 30-minute account audit** and we will review your exact campaigns, find your top 3 revenue leaks, and walk you through a written 30-day action plan.

No pitch. No pressure. Pure, actionable insights.

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50+ Brands Scaled	90% to 18% ACoS	+600% Organic	£104K / Month
Active management	Fastest result: 8 weeks	Zero paid ads	Single account record

This guide is a **free resource** from Bitesu India. Share it with any seller who needs to get their Amazon advertising under control. For gated deep-dive guides on TaCoS strategy, listing optimisation, and Brand Store setup, visit bitesuindia.com/resources