

Section 5: Bidding Strategies Explained - Overview:

Bidding strategies. In this section of the course, I'm going to walk you through all the bidding strategies that Google allow you to choose from. Now, a bidding strategy is essentially the strategy you use to determine how you bid on a keyword. There are tons of different strategies you can choose from, such as target CPA, and target ROAS, which stands for return on ad spend. We have to maximize clicks, maximize conversions, and target impression share, we have manual CPC, and we also have enhanced CPC. So let's hop into this section of the course and go through exactly what each and every one of these actually means.

Section 5: Target CPA:

Bidding strategies. A bidding strategy is a strategy you allow Google to have when it comes to showing your ads to users.

There are three main types of bidding strategies. You can use an automated bidding strategy where Google basically does everything. You can go for semi-automated, which is where you have a lot of control but you let Google's algorithm do a bit of work as well. And then lastly, you can go for a manual bidding strategy, which is where you have complete control and make all of the decisions.

I highly recommend that you start off with using a manual bidding strategy, and then as you get more data in your Google Ads account, you switch to a specific type of automated bidding strategy where you focus on a goal such as conversions or return on ad spend and so on. Those are different things worth testing.

Google's default option that it picks for us when you set up your Google Ads account is Maximize Clicks, which is really bad,, if you remember, I said you should change this to Manual CPC, which stands for cost per click, and then we're going to review these bidding strategies later on in the course.

Well, that part I was referring to is this part now. So there are quite a few bidding options we can pick from. I believe there are seven in total. They all vary and they come under the three main types I mentioned earlier; automated, semi-automated and manual.

So before we dive into each bidding strategy available, I want to head over to my Google Ads dashboard and just show you exactly how you can change your bidding strategy. Now it's good to know that you can change your bidding strategy whenever you like; that can be at the start of the campaign, halfway through the campaign, it doesn't matter, it's completely up to you.

So to change your bidding strategy, all you need to do is log into your Google Ads account, go over to the left-hand pane and click Campaigns, and then click the campaign you have in your Google Ads account. Once you click that, you want it to go over to Settings on the left-hand side, and then go over to this option right here, which says, Bidding. Give this drop-down arrow a click, and you can see at present we have Manual CPC.

So what I want to do is click the Change Bid Strategy. And then as you can see, we now have more options such as Targeted CPA, which stands for cost per acquisition. We have Targeted ROAS, return on ad spend, and Maximize Clicks, which is a default one Google selects for you. We have Maximize Conversions, Target Impressions here, and Manual CPC and so on.

So what I'm going to do now is head back over to our PowerPoint slides, and I'm going to explain to you what all of these mean.

So the first one is Target CPA or cost per acquisition. So Target CPA is a fully automated bid strategy where advertisers set a target cost per conversion, and then Google adjusts their bids to generate as many conversions as possible at that CPA. The cost per click does not matter with this strategy, the main goal is to generate conversions.

So if you look at this from three different ways, the objective, how it works and a scenario, the main objective of Target CPA is to get as many conversions as possible for your target cost per acquisition. The cost per click, like I just said, does not matter. As long as you're getting clicks that convert at a profitable cost, the business is going to grow.

So how does it work? So Google will predict which clicks will convert and how much it will cost that click to convert. To use this strategy, you must have Conversion Tracking set up and you must have at least one conversion action configured.

Now, if you're working on a brand new Google Ads account, then you won't have this data so you can't use this strategy to start off with. It's good to note as well that the more conversion data you have in your Google Ads account, the closer Google will be able to get conversions for your target CPA.

So how does this work in a scenario? So let's run through how this would work with a live example. So let's imagine you're a plumber and the conversion action on your website is a form submission. You know that you get a customer from one in five forms, which is a 20% conversion rate, and you know that your average job is worth \$300 in profit. So in order to make money, you need to get form submissions for less than \$60. And if you're wondering how I figured that out, it was simply \$300 divided by five, as \$300 is my average profit, and I'm dividing that by my average conversion rate.

So to use this strategy you are going to also need your average profit per job. If you don't have that information, then it's literally going to be impossible to determine your target CPA.

In the next video, we're going to go through the next bidding strategy, which is Target Return On Ad Spend. I'll see you there.

Section 5: Target ROAS:

The next business strategy we're going to discuss is Target ROAS, which stands for Return On Ad Spend. So this is nearly the same as Target CPA, but what is the return on ad spend instead.

So with this strategy, Google will predict future conversions and conversion value performance based on your historical data to enter auctions. As it's based on historical data, you can't use this straight away on a brand new account. When using this strategy, Google will adjust bids in real-time to maximize conversion value while trying to achieve the target return on ad spend goal you've set at the ad group campaign or the portfolio level. So let's look at the objectives. So

if you're tracking more than one conversion action, so maybe you're tracking sales and phone calls both from your website, and each conversion action has a different value to your company.

Now, this is quite likely, as a sell is probably going to be worth a lot more to you than an actual phone call. So targeting return on ad spend will aim to bid based on how much return you make on your main advertising dollars, as opposed to targeting a cost per conversion. So return on ad spend equals total conversion value divided by the cost. So you can see your conversion value in your Google ads account if you have conversion tracking set up. So as you can imagine, this bidding strategy is not best used on brand new Google Ads accounts. It's best used on Google ads accounts that actually have a bit of data behind them.

So how does it all work? So Google will predict which clicks will convert and how much of those conversions will be worth to you. So you can actually tell Google what a conversion is worth to you when you set up your conversion tracking. Now don't worry, as I'm going to show you exactly how to set up conversion tracking later on in the course. And like I just said, you must have conversion values configured in your account to be able to use target return on ad spend. It's good to note as well that campaigns using targeting return on ad spend need to have at least 15 conversions in the last 30 days. And this needs to be consistent as well, which means you must have conversions over a consistent time period, and not just a bunch of conversions on one day and then none for a week, another 10, none for a week. They need to be consistent. If you don't have data that shows consistent conversions, then Google is not going to be able to optimize your account to the best of its ability.

So let's look at a scenario of this. Let's imagine your company primarily sells insurance, but you also have a free ebook on your website available to download. Now, you know from your historical data that our conversion rate from a sale form is 10%, and the conversion rate on your ebook is 0.05%. So less than 1%. And the average client is worth \$850 to you. Based on what Google knows about the cost of your clicks and your Google ads conversion rate for each conversion action, so which could be a sell or a phone call, they will try to hit your target return on ad spend. So we can very easily work out how much each conversion is worth to our business. We would simply have to multiply \$850 by 0.10, as that is our sales conversion rate, and we would be left with \$85. So each form submission is worth \$85 to us, as we convert one in 10 of them, and the average client is worth \$850. So we could use exactly the same calculation to figure out what a conversion is worth to us via an ebook.

So now we know how to determine what a conversion is worth, you're probably thinking, "Great, that's good, but what should my return on ad spend be?" Well, this all depends on your profit margins. When you determine your return on ad spends, you actually do it by inserting a

percentage into your Google Ads account, which I'll show you just how to do in a second. But to give you an idea of how it works, a 6000% return on ad spend means that for every \$1 I spend, I'm getting \$60 back in revenue. Instead of just sitting there and trying to figure out all the math to determine what your return on ad spend should be, you could just use the calculator that I showed you earlier on in the course, which was this one right here.

So you can see we actually have a section on here which has determined your break-even return on ad spend. So to determine your return on ad spends, you need to determine your profit margin first. In order to know what your return on ad spend has to be. You need to know what your average profit margin is. So if you have a 10% profit margin, so for every \$10 in sales, you own your own \$1, I need a 1000% return on ad spends. That means a 10X ROAS. If my profit margin is 25% then my return on ad spend would be 400%. Now do bear in mind, this is a break even. So you need this return on ad spend just to get the money you're spending back in revenue. So we can use this calculator to determine what our return on ad spend should be.

So let's head over to our Google account and I'll show you exactly how you can enter this percentage into your account, which Google can then use to optimize your account further. So to update our bidding strategy, we need to go to campaigns, select our campaign, and then go to settings, and then go to bidding, click cancel on that, there we go. And then change bid strategy, and then we want to go for target return on ad spend. So as you can see, it says to use this bid strategy to set up conversion tracking. So as we don't have conversion tracking set up, I can't actually do this on this account. However, what I'm going to do is I'm going to head over to a live account, and I'm going to show you exactly how you can insert your target return on ad spend percentage.

So I'm now logged into a live Google Ads account, and I'm going to select target return on ad spend. And as you can see, we now have an opportunity to enter in a percentage. So let's just imagine for the purpose of this video that my average profit margin is 25%. So as a result, I need a break-even return on ad spend of at least 400%. So what I'm going to do is go back to my Google Ads account, and I'm simply going to make sure any number I enter in here is going to be at least 400%. So I can type in 500%. The number you're going to enter here all depends on how much revenue you're looking to achieve from the amount of money you're spending.

Now you can see below that Google was actually recommending me that my target return on ad spend should be 175.5%. So they know this because I've already entered in how much each conversion is worth to my client for this account. So they can very easily tell me what my target

return on ad spend should be. So in this case, it's nowhere near 500%. it's actually just under 200%.

That's it for this business strategy, and I'll see you in the next video where I'm going to cover the next strategy, which is to maximize clicks.

Section 5: Maximize Clicks:

When you choose to maximize clicks as your bidding strategy, Google will work to get as many clicks as possible while spending your daily budget. This strategy can be great if you're trying to drive more volume to your website for branding and list building, or if you have a very strong conversion performance and you want to find more volume. So the main objective of maximizing clicks, like I just said, is to get as much traffic to your site as possible. So if you're looking to get as much data on-site behaviour as possible, and just get visitors in your door without worrying too much about specific cost objectives, then this can be helpful.

So how does it work? So Google will try to get you as many clicks as possible by choosing the right bids across your keywords using this main strategy. You can set a maximum cost per click bid limit, which means, yes, you're trying to get the most clicks possible, however, you can tell Google, "Do not pay any more than this specific amount for any click we generate." So spend is capped at the campaign daily budget. You can also use portfolio bid strategies, which allow you to apply this automation to just a specific set of keywords, all of inside the same campaign. Now, whilst this might sound great, I'm not actually a big fan of this as when it comes to reviewing your data, it's going to be impossible to know what's actually going on. You can see your daily spend of \$100 could lead to maybe six conversions. You don't know whether those six conversions came from this bidding strategy, maximize clicks, or did it come from the other bidding strategy, which you have applied to the overall campaign.

So just to confirm, bidding strategies are applied at the campaign level, however, you can apply bidding strategies to individual keywords using the portfolio bid strategy, which is something I do not recommend you do. As I just said, it's going to make your life a whole lot harder when it comes to reviewing the data. So let's look at a live scenario of this. Let's imagine you sell football boots on your website and the data shows you that using manual cost per click as a bidding strategy is giving you good results. You now want to release a new product, which is football pumps. So nothing to do with football boots. So you can't just use the data you have for football boots and apply it to football pumps.

Football pumps is also a low-volume search keyword in your targeted locations and you want to drive as much traffic as possible to your new product page. You could use maximize clicks as a bidding strategy, just to generate an influx of traffic, which is going to help get more feedback, product improvements, website improvements, and so on. So you can actually apply to maximize clicks as a bidding strategy to these keywords to reach your main goal. Now do bear in mind, as I said, you can apply these at the portfolio level, which is going to apply to just those specific keywords, or you can create a new campaign and just have those keywords in it. It completely comes down to your choice. That is it for this strategy and in the next video, we're going to go through maximize conversions. I'll see you there.

Section 5: Maximize Conversions:

So this one is kind of self-explanatory. Google will essentially try to maximize the amount of conversions you have in your Google Ads account. So the main objective, like I just said, is to generate the most amount of conversions possible from your daily ad budget. So how does it all work? So Google will optimize your bids and ads to try and generate the most conversions possible. For this to work, you must have conversion data in your Ads account to use this strategy. As you can imagine, the more data you have, the more effective this strategy will be, as the more reliable your data is going to be. So let's look at a scenario of this. So let's imagine you have an aged Ads account with tons and tons of data within it. Your ad spend is split evenly across two different ad groups. You notice that all of your conversions are coming from one specific ad group.

You could use this bidding strategy for Google to bid more aggressively on the ad group which is performing better and generating the bulk of conversions. This will save you a ton of time having to go into the AdWords account and make the optimizations yourself. It's really important to note as well that with this strategy, Google doesn't take into consideration how much each conversion is worth to you. So if we use another scenario, you have two different ad groups. The first ad group generated five conversions and the second ad group generated three conversions. So if you went for maximized conversions, Google would optimize the first ad group more, as it's generated more conversions and it's performing better than the other ad group. However, these conversions on your first ad group might be conversions that have a lower value in revenue. With the other three conversions, it could be really, really high in terms of revenue so those three conversions are actually worth more to your business than those five conversions from the first ad group.

So do bear that in mind when it comes to picking a strategy and try to take all things into consideration. I'm not really a big fan of this strategy if I'm honest, just for the reason I've explained. However, it does work very well in a lot of case scenarios, like the first one I've just given you on my screen. So just be careful not to trip yourself up and take things all into consideration when making your decision on what bidding strategy to select. In the next video, I'm going to cover the bidding strategy target, impression, and share. I'll see you there.

Section 5: Target Impression Share:

Target Impression Share is a newer bidding strategy. With target impression share, advertisers set a goal impression share percentage that they want to achieve for the ads. So the main objective is focused on awareness and reach. If you want a specific target impression share, you want to literally tell him Google show my ad to these many people who are typing in this search phrase. So let's imagine you want to go for a target impression share of 60%. That means for every 10 people carrying out a search for one of your keywords, you want Google to show your ad to 6 of those users. So how does it work? So Google will adjust your bids accordingly to ensure your ad is positioned at your predetermined position. Whether that's at the top on the first page, within the top three, you can specify exactly where you want your ad to show, and I'll show you how to do that in just a second.

So before I show you how to set where you want your ad to show, let's go through a scenario and go for an example of where you would use this in the real world. So let's imagine your company has just released a new product and you would like to create some awareness and extend your reach. Ignore the word teach there that should actually say reach. You could use target impression share to ensure Google shows your ad to the majority of people searching for your product. This is going to help you increase your awareness whilst putting you at the top of Google for the keywords that you really want to target. Now as you can imagine, when you're using this strategy, you don't really have that much focus on things like your average cost per click, the price you're paying per conversion and all those metrics right there.

The main focus of this bidding strategy is to create awareness and reach. So as a result, this is best suited for those advertisers who have quite a bit of budget to play with. So let's head over to our Google Ads account and I'll show you exactly how we can set this right now. So just go to bidding and we have selected the target impression share. And as you can see, we have a second option right here. Where do you want your ad to appear? You can have anywhere on the results page, the top of the results page, that'd be within the top three, top four positions. And then you have an absolute top of the results page. So this would be right at the top of Google.

So let's go to the top of the results page and then below that we can enter our percentage impression share to target. So let's put in 70%.

So I'm now telling Google. I want them to show my ad to 70% of people who carry out that search. Below that, I can also put in my maximum CPC bid limit as well. So let's put it in £, for example. So I'm now telling Google, I want them to show my ad to 70% of people who carry out this search. And the maximum amount I want to pay per click is going to be £3. Do bear in mind that when you put in a maximum cost per click, this can limit and affect the percentage you achieve for your actual target impressions. If the majority of impressions for the group of keywords, you're targeting have a cost per click of £4 and your maximum cost per click is £3, then obviously Google will not be showing your ad to those users in the auctions where their cost per click reaches above what you specified.

So if you really want to achieve your target impression share, I actually advise you to put in a higher cost per click limit just to ensure you do actually achieve what you want to achieve, which is more awareness and eyeballs over to your website. But just for the purpose of this training video, once you are happy with all the data you selected, so your impression share target, where you want your ads to show and your maximum cost per click limit. You simply go to the right-hand side and click save and that now saved your bidding strategy and applies it to your campaign.

Section 5: Manual CPC & Enhanced CPC:

Manual cost-per-click. Manual bidding is the easiest bid strategy to get a grasp on. Advertisers set their bids manually at the keyword level, and the bid stays the same until the advertisers change them.

So the main objective of manual CPC is to fully maintain control over your bids in every single auction. You're willing to pay what you're willing to pay. And that is the end of it. If you set your manual cost per click at two pounds, then you will never pay anything more than two pounds.

So, how does it work? You have your default bid at the campaign level and the ad group level. You can also set individual keyword-level bids as well. And Google won't bid any more than your

max bid in any circumstance. It's my favorite strategy as it gives you the most flexibility and the most organization. And this is my bidding strategy of choice.

The only downside to the manual bidding strategy is that you have to do everything yourself as it's a manual strategy. So, this is the only bidding strategy which has no automation in it, whatsoever.

Google has zero influence at all on what it changes and what optimizations are made. It all comes down to you reviewing the data and then making the decisions yourself.

You can add in what we call enhanced cost per click, so ECPC, at any time as well as changing your bidding strategy whenever you want. It's really good to note as well, that manual cost-per-click is the best place to start as it does not require conversion tracking to work.

You can simply create your account, and select manual CPC, which is what I advise you did when you create your account and simply start running Google ads and generating some data.

It's far better to use this strategy than using another one in the first instance, such as maximizing clicks as Google is just going to spend all of your budgets to generate the most amount of clicks.

Whereas with manual CPC, Google will have no influence whatsoever. So as a result, you make your own decisions and you literally control what is going on in your Google ads account.

This is the main reason for whenever I create a new Google ads campaign or even a new Google ads account, I always start off with manual CPC.

There is another version of manual CPC where you add a little bit of automation into it. And that is what I referred to earlier, which is ECPC, enhanced-cost-per-click.

So when you select the manual CPC from within your bidding strategy, you're also going to get this little box below, which it says helps increase conversions with enhanced CPC.

This only becomes available if you tick this box. If you don't tick this box then you won't have the option to go for optimize for conversions or optimize for conversion value, and you must select at least one of these to use enhanced CPC.

I always recommend that you optimize for conversions. It's really important to note as well, that to use enhanced CPC, you must have convergence in the Google ads account. This is why you can't use ECPC straight off from the start.

So the main objective of enhanced CPC is to maintain tight control over your individual keyword-level bids whilst also putting some trust in Google's algorithm to optimize CPCs for more conversions.

How does it work? So, Google will automatically raise your bids as much as 30% or decrease your bids as much as 100% based on how likely they think the click is going to lead to a conversion.

ECPC does sometimes work to maintain or increase conversion volume whilst decreasing cost per conversion. You still set your maximum cost per click bids at the keyword, ad group or campaign level.

ECPC starts off with modifying 50% of your traffic, reviewing the data and then adjusting based on performance. So, let's look at a scenario where you might want to use enhanced CPC.

Let's imagine your company has strict guidelines on budget, and you want as much control over how much you pay for any given keyword. Every keyword represents a different type of buyer.

You're also tracking conversion and you feel that your bids can be more optimized than they currently are. ECPC is a good place to start experimenting with automation.

This would be a great place to start than to go for maximum conversions as you still want the bulk of control over your Google ads account. So as you can see, enhance CPC and manual CPC, they're pretty similar. The only difference with enhanced is you add a little bit of Google's automation and use that algorithm and put a bit of trust in it.

And in summary, when it comes to bidding strategies, what I recommend is you go for manual CPC to start off with, to give you full control and really review what's going on. And then once you have a bit of data, I recommend you move over to your first automation bidding strategy, which is going to be enhanced CPC.

And as enhanced CPC isn't a fully automated bidding strategy, it actually comes under a manual bidding strategy. So let me go over to a google ads account and I'll show you exactly what I mean.

As you can see, we've got a target impression shared right here. If we look under automated bid strategies, which is all these ones at the top, you do not see enhanced CPC.

That is because it comes under the manual bid strategy of manual CPC. So once I give us a click and you can see, we have the option right here, but like I said, to use this, you need to have conversion tracking set up on the account.

But that covers everything there is to do with bidding strategies and I'll see you in the next section of the course.