Google

Leveraging Machine Learning - AdWords Smart-Bidding

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Agenda

1   **Why automation is important**

2   **AdWords Smart Bidding**

        1.   What makes AdWords Smart Bidding so **powerful**
        2.   Different **Bidding-Strategies** to meet your goals
        3.   Smart Bidding **improvements** based on your needs
        4.   How to **successfully test** Smart Bidding
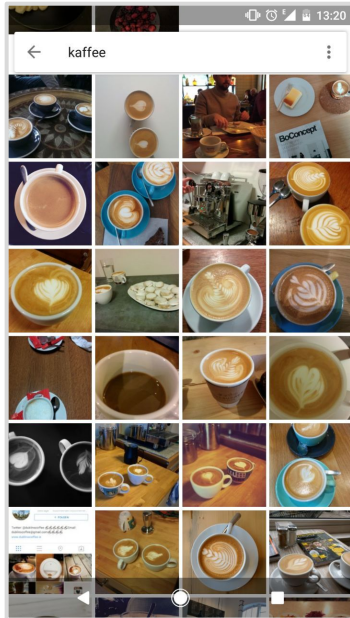
3   **5 key things to remember**

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Google

"From Mobile First to AI First"

Sundar Pichai
CEO Google Inc.

Google

Machine Learning prominent in our lives already

Google Photos

kaffee

German
Probleme kann man niemals mit derselben Denkweise lösen, durch die sie entstanden sind.

OLD TRANSLATION

NEW TRANSLATION

English
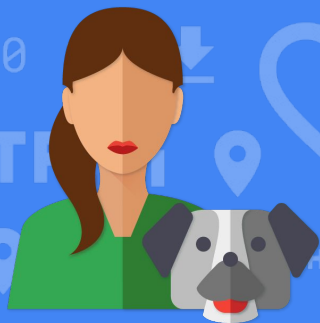No problem can be solved from the same consciousness that they have arisen.

English
Problems can never be solved with the same way of thinking that caused them.
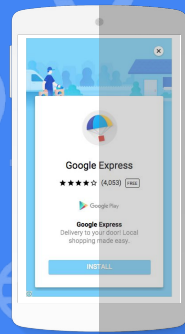
Machine Learning also prominent in advertising
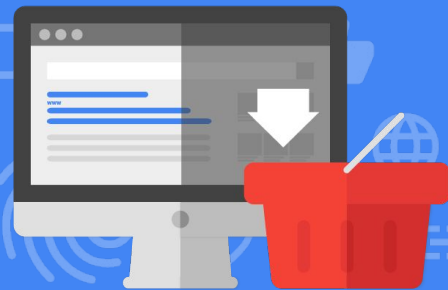

Bidding

Targeting

Formats

Attribution

Machine Learning especially on the rise for Bidding

3rd Party Platform
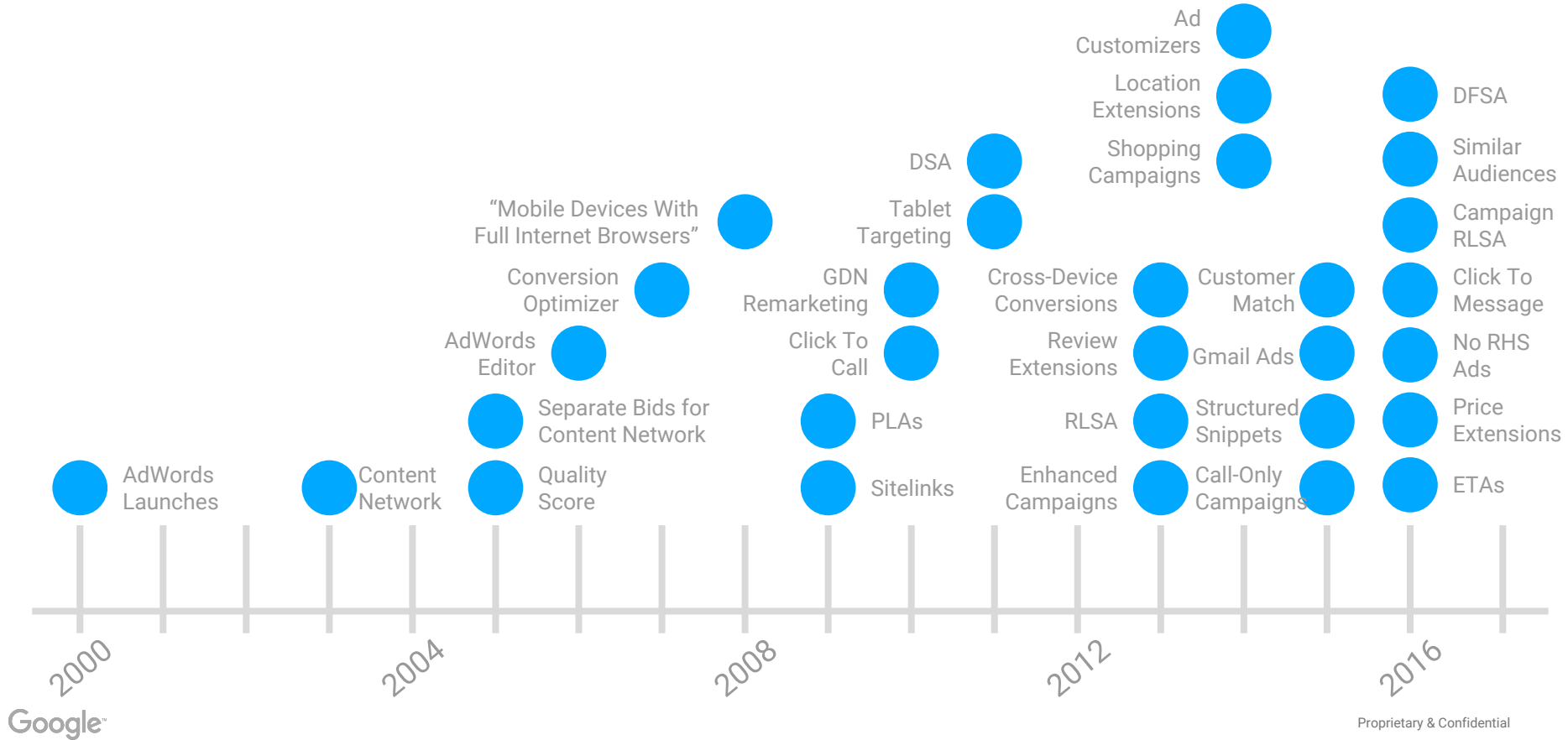Automated Bidding
(1-2 bid refreshes per day on avg.)

Rule-based Bidding
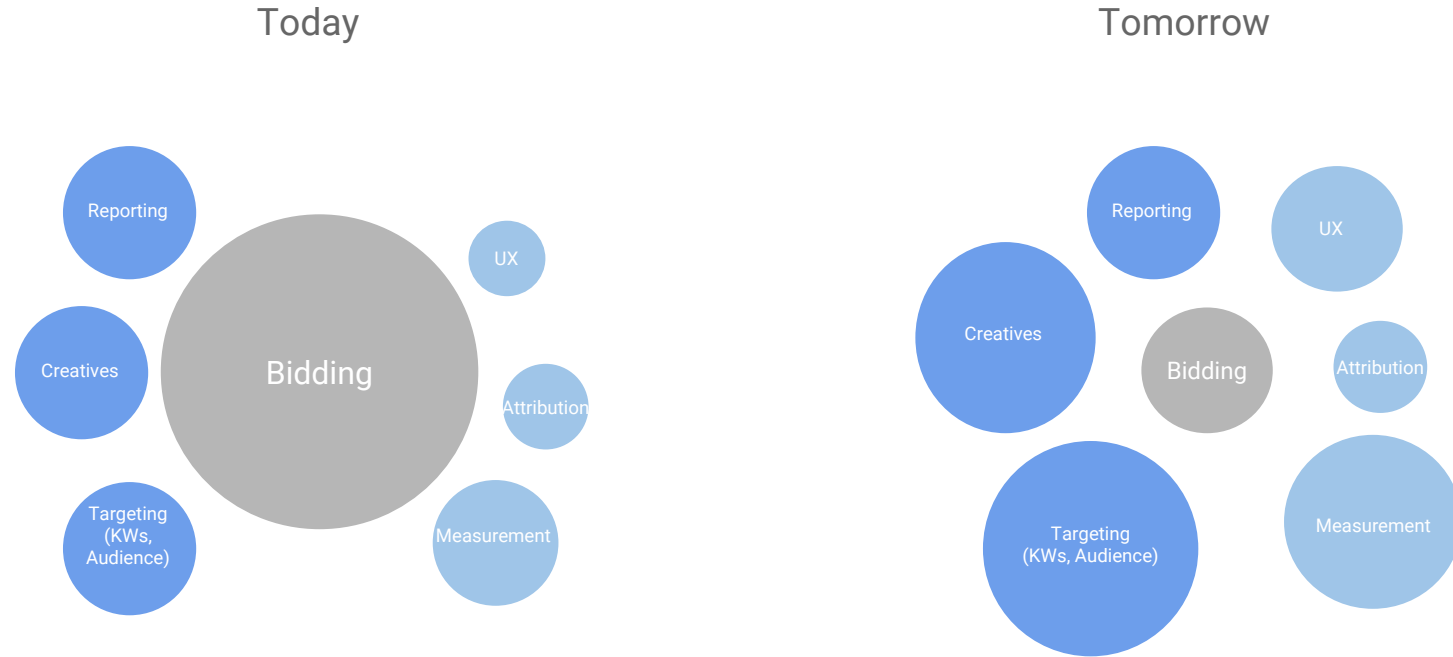- AdWords automated rules
- AdWords Scripts

Manual Bidding

AdWords
Auction-
Time Bidding

Why do we need ML? Complexity is steadily increasing

Ad Customizers

Location Extensions

DFSA

Shopping Campaigns

Similar Audiences

DSA

Tablet Targeting

Campaign RLSA

"Mobile Devices With Full Internet Browsers"

Conversion Optimizer

GDN Remarketing

Cross-Device Conversions

Customer Match

Click To Message

AdWords Editor

Click To Call

Review Extensions

Gmail Ads

No RHS Ads

Separate Bids for Content Network

PLAs

RLSA

Structured Snippets

Price Extensions

AdWords Launches

Content Network

Quality Score

Sitelinks

Enhanced Campaigns

Call-Only Campaigns

ETAs

2000   2004   2008   2012   2016

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AdWords Smart Bidding helps us focus on the things where we can add value

Today

Tomorrow

Reporting

UX

Creatives

Bidding

Attribution

Targeting (KWs, Audience)

Measurement

Reporting

UX

Creatives

Bidding

Attribution

Targeting (KWs, Audience)

Measurement

BCG: Cutting Complexity, Adding Value (2013): we spend 80% of our time on manual, low-value tasks

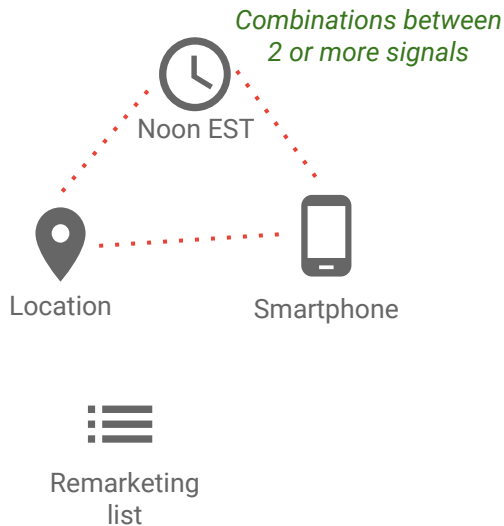*Bubble size representing the avg. amount of time spent on certain tasks*

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AdWords has access to exclusive signals in Search

SIGNALS AVAILABLE WITH BID ADJUSTMENTS

Combinations between 2 or more signals

Noon EST

Location

Smartphone

Remarketing list

Bid

EXCLUSIVE SIGNALS FOR ADWORDS AUTOMATED BIDDING

OS

App

Browser

Language

Actual query

Ad creative

Search partner

Auction-time, multi-signal bidding example

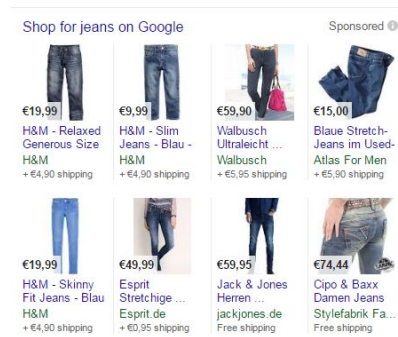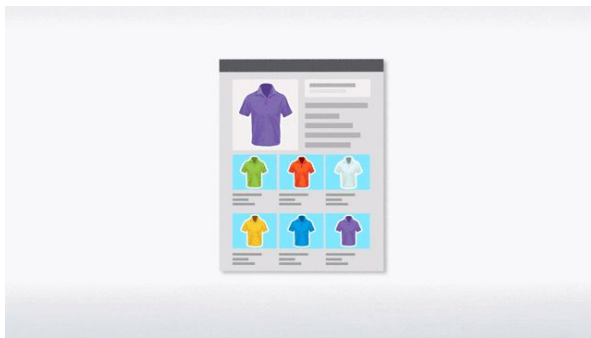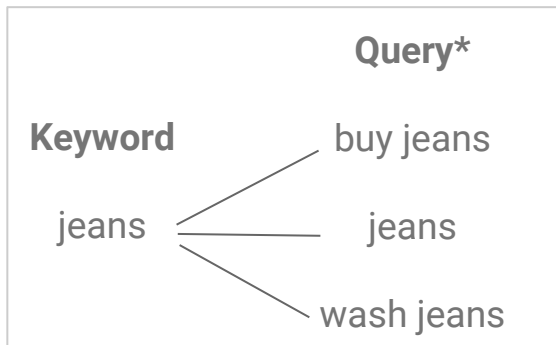Example, on the keyword [buy jeans 🔍]

2.0% CVR

4.0% CVR

VS.

Get the most out of your campaigns with (automated) query-level bidding

Keywords (Broad, Phrase)

Manual: keyword-level

Automated: query-level

Dynamic Search Ads (DSA)

Manual: website-URL/category-level

Automated: query-level

Google Shopping

Manual: product-level

Automated: query-level

Note: 15% of queries on Google are new every day

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Additional signals we look at in Display

User Behavior

➔ Sites previously
   visited by a user
➔ Cross-device
   usage
➔ Interests
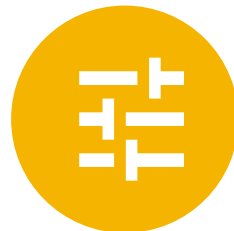➔ Time of day and
   day of week

Demographics

➔ Age and gender
➔ Geographic
   location
➔ Device type
➔ Browser or
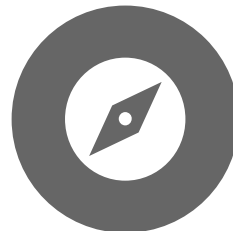   Operating
   System

Content of the Webpage Viewed

➔ Website content,
   structure, and
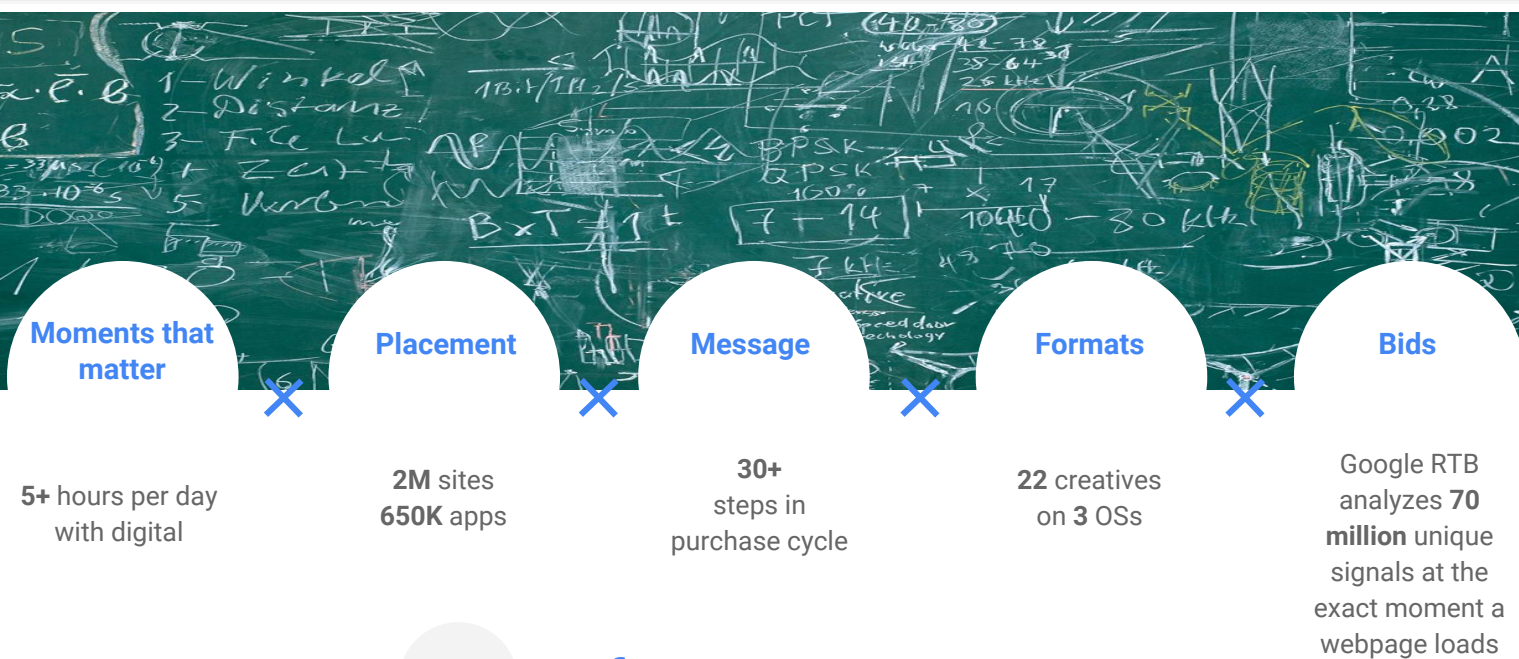   keywords

Ad Characteristics

➔ Ad format
➔ Ad performance

Onsite Behavior

➔ How recently a
   user left your site
➔ How many pages
   a user viewed on
   your site
➔ Value of the
   products a user
   has viewed on
   your site

Smart Bidding is the only way to effectively handle infinite permutations

Moments that matter ✕ **Placement** ✕ **Message** ✕ **Formats** ✕ **Bids**

5+ hours per day with digital

2M sites **650K** apps

30+ steps in purchase cycle

22 creatives on **3** OSs

Google RTB analyzes **70 million** unique signals at the exact moment a webpage loads

∞ Infinite permutations call for Automation

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AdWords Bid Strategies

A range of automation options, aligned to specific marketing goals

Campaign goal	Recommended strategy
VISIBILITY	**Target Outranking Share** **Target Search Page Location**
WEBSITE CLICKS	**Maximize Clicks**
CONVERSIONS / SALES	**Enhanced CPC** **Target CPA**
REVENUE	**Target ROAS**

Target CPA: all you need to know

What	Automatically sets bids during each auction to get you as many conversions as possible within your target CPA goal
Why	Get the most conversions at your target CPA through power of auction-time bidding
Use Cases	● Advertisers who would like to automatically optimize bids to maximize conversions ● Lead generation and ecommerce businesses

Enhanced CPC: all you need to know

What	Automatically adjusts your manual bid up or down based on each click's likelihood to result in a conversion
Why	Retain control of your core bid but get more conversions through eCPC's automatic real time bid adjustments
Use Cases	● Advertisers who want to set core bid manually or through 3rd Party Bidding Tools with added layer of real time optimization ● Lead generation and ecommerce businesses

Does not offer the full power of Target CPA or Target ROAS, as it only works on a limited portion of traffic and adjusts bids from -100% to +30% based on how likely a click is to lead to a conversion.

Approach:

- Implemented **Target CPA**
- Used range of targeting options on the Google Display Network, **in-market audiences, keyword contextual targeting and similar audiences**

Result:

CPA: -75%

[Full case study](#)

Used Target CPA

CPA:	**-50%**
Conversions:	**+66%**
Time saved:	40%

Full case study

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Constant substantial algorithm improvements
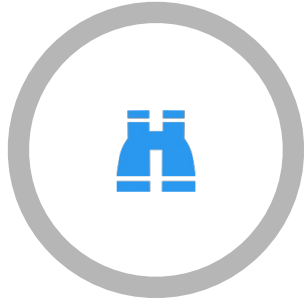
More predictive
signals
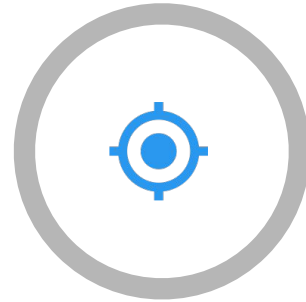
Better target
accuracy

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Device-specific Target CPAs

One target CPA

Before | After

Mobile CPA

Desktop CPA

Tablet CPA

Measuring performance over time

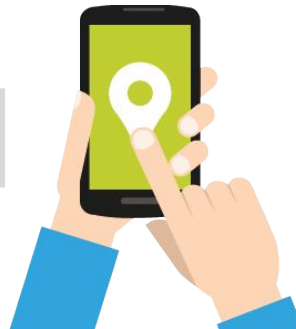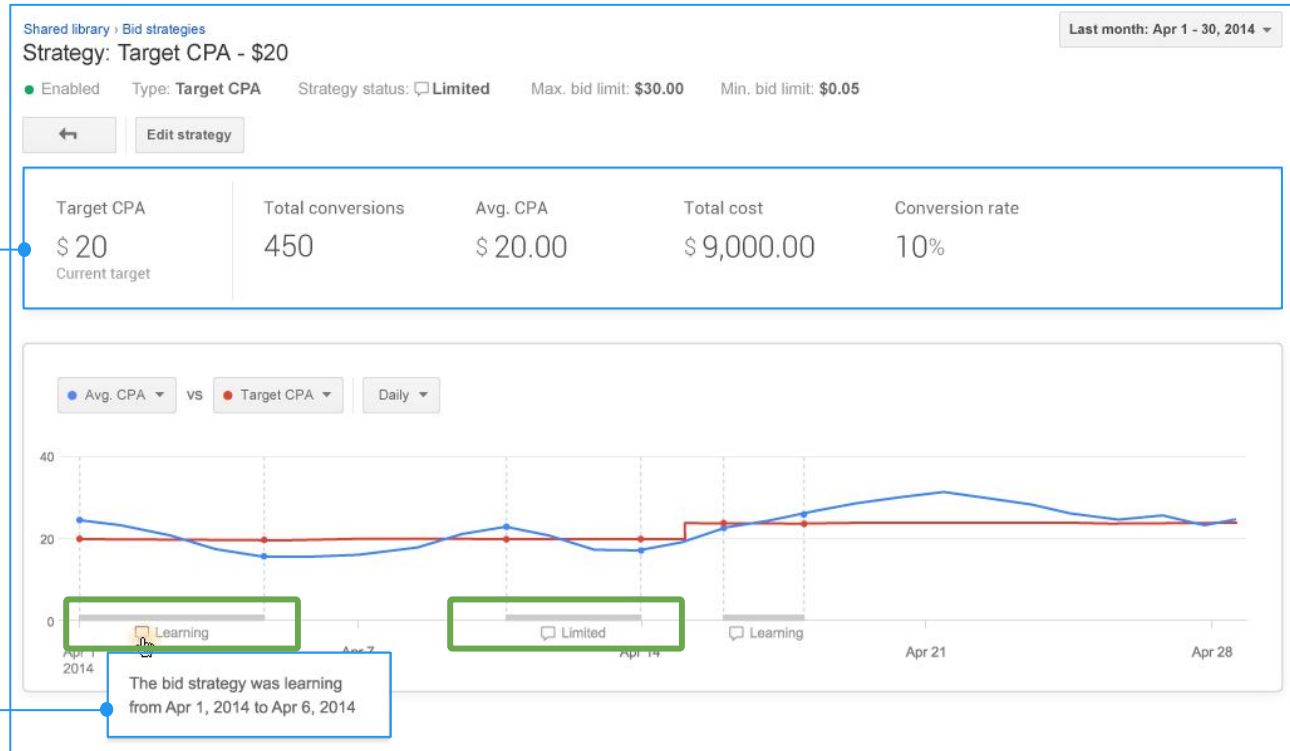## Monitor a bid strategy performance and understand its current status

Monitor the performance of flexible bid strategies key **KPIs** and watch how it improves over time

Understand the strategy **status** and potential limitations, then take action

Shared library › Bid strategies
Strategy: Target CPA - $20

● Enabled   Type: **Target CPA**   Strategy status: 🗩**Limited**   Max. bid limit: **$30.00**   Min. bid limit: **$0.05**

Last month: Apr 1 - 30, 2014

↩   Edit strategy

Target CPA	Total conversions	Avg. CPA	Total cost	Conversion rate
$ 20 Current target	450	$ 20.00	$ 9,000.00	10%

● Avg. CPA ▾   vs   ● Target CPA ▾   Daily ▾

🗩 Learning   🗩 Limited   🗩 Learning   Apr 21   Apr 28

The bid strategy was learning from Apr 1, 2014 to Apr 6, 2014

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Strong forecasting tools

## Find the most profitable targets with Target CPA Bid Simulator

Determine the optimal **Target CPA** and apply the change directly in the Target CPA Simulator tool

Model and change bids on **Bid strategy 1** for 2 campaigns and 10 ad groups
The combined estimates below represent all campaigns and ad groups using this strategy. Estimates assume sufficient budget for all bid levels.

⬇ Download data

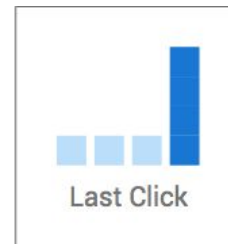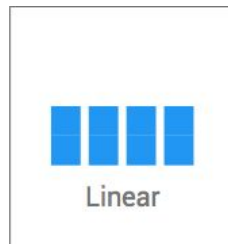| Target CPA	Clicks	Cost	Impr.	Top impr. ?	Converted clicks ?	Conv. ?	Total conv. value ?
○ $16.90	4,210	$19,238.57	437,000	84,800	1,550	1,670	1,470
○ $14.30	3,880	$17,623.14	390,000	70,900	1,490	1,590	1,450
○ $12.70	3,600	$16,123.26	349,000	58,200	1,410	1,510	1,420
⦿ $11.60	3,310	$14,590.45	314,000	47,000	1,340	1,430	1,380
○ $11.25 (current)	3,080	$13,040.93	276,000	40,800	1,260	1,350	1,350
○ $10.80	2,840	$11,783.76	254,000	35,200	1,160	1,240	1,240
○ $10.30	2,610	$10,586.80	232,000	30,100	1,070	1,140	1,140
○ $9.82	2,340	$9,226.26	206,000	24,900	965	1,030	1,030
○ $9.25	2,060	$7,855.95	176,000	20,100	860	916	916
○ $8.68	1,800	$6,534.22	155,000	16,300	751	803	803

○ Use a different bid: $ _____
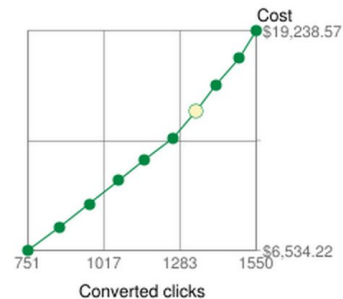
Estimated impact for **Apr 20, 2015-Apr 26, 2015**. Estimates don't guarantee future performance and are based on an unrestricted budget. To get this estimated traffic, you may need to increase your budget.

Cost
$19,238.57

$6,534.22

751   1017   1283   1550
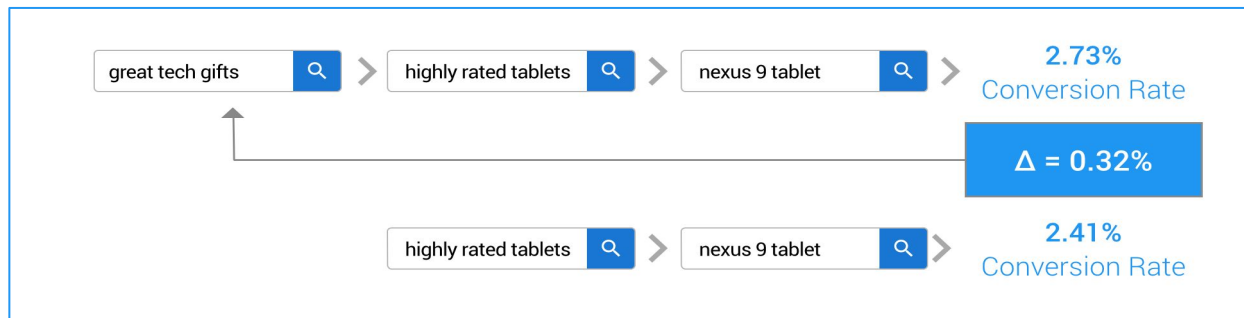Converted clicks

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Bidding beyond the last click and device with data-driven attribution: even more Automation!

Optimize towards your chosen attribution model in Search

Rules-based models

First Click | Time Decay | Linear | Position-based | Last Click

Data-driven model

great tech gifts > highly rated tablets > nexus 9 tablet > 2.73% Conversion Rate

Δ = 0.32%

highly rated tablets > nexus 9 tablet > 2.41% Conversion Rate

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Finding suitable campaigns

Campaign goal	Recommended strategy	Recommended conversions*	
		Search	Display
VISIBILITY	Target Outranking Share Target Search Page Location	-	-
WEBSITE CLICKS	Maximize Clicks	-	-
CONVERSIONS / SALES	Enhanced CPC Target CPA	<30 >30	<30 >30
REVENUE	Target ROAS	>50	>80

* per campaign in the last 30 days;
NOTE: Target ROAS requires 15 conversions in past 30 days technically

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We can help you identify campaigns for a test

We create **estimates using your account's** Bid Simulator **data**.
Bid Simulator looks at the **specific auctions your accounts participated in** during a recent past week to estimate these performance gains.

Campaign 1	**100** CURRENT CONVERSIONS	**+30** SIMULATED CONVERSION UPLIFT	**+30%** SIMULATED CONVERSION UPLIFT %	**+0%** SIMULATED CPA CHANGE
Campaign 2	**82** CURRENT CONVERSIONS	**+19** SIMULATED CONVERSION UPLIFT	**+23%** SIMULATED CONVERSION UPLIFT %	**+0%** SIMULATED CPA CHANGE
...	...	...	...	...

Note: We generate traffic estimates based on historical performance. These are not a guarantee of future performance as the context/competition etc. will be different from the past.

Your road to success

1. **Opt-in Target CPA Bid Strategy**
   CPA Target = 30-day CPA avg.
   Minimum 30 conversions

2. **Pre-Post evaluation**
   (Ignore "learning" week and most recent week)

Control Period
2+ weeks

Learning
1+ week

Run Test
2-4 weeks

Conversion Delay
~1 week

Evaluate / Adjust

Ignore in evaluation!

Check campaign status column

Ignore in evaluation!

3. **Potential target adjustment**
   (within +/- 20%)

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Proprietary & Confidential

Easy-to-setup A/B testing now possible

Run well-executed A/B tests with Drafts & Experiments

Enter a specific date range

Determine the portion of traffic you want to go through the experiment

Experiment: New_Name
Status: **Running**   Original campaign: Holiday Travel   Experiment dates: 5/1/14 - 5/31/14 Edit

Apply changes...   May 1, 2014 - May 31, 2014

Traffic share		Cost	Clicks	Cost per click	Conversions	Cost per conversion	Avg. position
Experiment	50%	$7000 ⌃	5000 ⌃	$2.00 ⌃	130 ◇	$2.50 ⌄	1.8 ⌃
Original	50%	$6000	4000	$1.50	121	$2.60	1.7

Assess performance

| Ad groups | Settings | Ads | Keywords | Audiences | Ad extensions | Auto targets | Display Network | ▾ |

All ad groups ▾   Segment ▾   Filter ▾   Columns ▾   ⬇   [🔍]

+ AD GROUP   Edit ▾   Details ▾   Bid strategy ▾   Automate ▾   Labels ▾

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Implementation is now possible via campaign

Agenda

1   **Why automation is important**

2   **AdWords Smart Bidding**

       1.   What makes AdWords Smart Bidding so **powerful**
       2.   Different **Bidding-Strategies** to meet your goals
       3.   Smart Bidding **improvements** based on your needs
       4.   How to **successfully test** Smart Bidding

3   **5 key things to remember**

Google

Time for a quiz!

1. Take your phone

2. Go to www.kahoot.it

3. Type in:

Kahoot!

402318

Enter

Key things to remember

01   **Smart Bidding allows us to shift time** to other important tasks

02   **Smart Bidding is the only way to effectively handle infinite data combinations**

03   **Get best performance** out of your campaigns **with Target CPA/ROAS**

04   Start with targets that align with your **historical CPA or ROAS**

05   **Successfully test Smart Bidding** with **clean experiment**

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THANK YOU!

Questions?

Are you up for more digital knowledge?

Get the full picture with our strategic Digital Marketing and
Leadership program

Squared Online

Find out more at our booth or at:
weareSquared.de

We're happy to provide you with
all presentations via our
Think with Google newsletter.

Simply sign up at our booth or at:

thinkwithGoogle.de