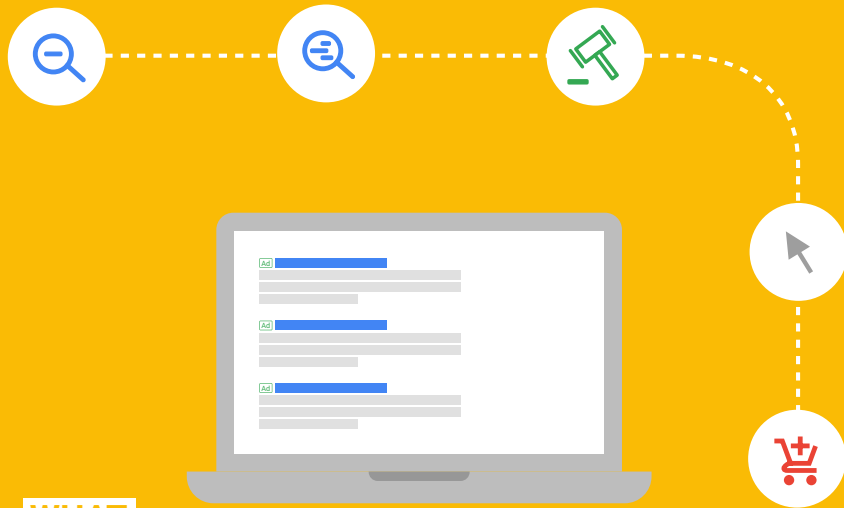# Adwords Smart Bidding

Playbook

Google™

Introduction to Automated Bidding Solutions

Intelligent bid optimisation is a keystone of any successful search campaign. The keyword bids you choose directly influence your campaign performance and how visible your ads are for the search queries most important to your business. Without regular, data-driven bidding oversight, you could find yourself spending too much on the wrong keywords and missing out on valuable conversions and revenue elsewhere.

It can be challenging to scalably manage your bids to achieve the best results, especially if you have campaigns with a significant number of keywords and are trying to optimise across multiple dimensions like match type, device and location. And given the dynamic nature of search auctions, the "right" bid can often be a moving target. This is why advertisers often choose automated bidding solutions to make frequent bid optimisations using comprehensive data models. These solutions can help make

better bidding decisions not only on the highest-volume head terms, but also on low-volume terms to drive significant performance gains. Furthermore, they can save hours per week when transitioning from manual to automated bidding, and reclaim valuable time to reinvest in other strategic optimisations.

What is Adwords Smart Bidding?

Google Smart Bidding is the name for conversion-based automated bidding across AdWords and DoubleClick Search. It can factor in millions of signal values to determine the optimal bid, and it continually refines models of your conversion performance at different bid levels to help you get more from your marketing budget.

> Google Smart Bidding sets millions of unique bids every second across campaigns using automated bidding

AdWords Smart Bidding is a subset of automated bid strategies that use machine learning to optimise for conversions or conversion value in each and every auction – a feature known as "auction-time bidding". Target CPA, Target ROAS and Enhanced CPC are all Smart Bidding strategies.

AdWords automated bidding is an enterprise-class solution that helps advertisers set precise bids for each and every auction, and helps to cost-effectively drive higher conversion volume or revenue. It offers three core capabilities not available in any other tool:
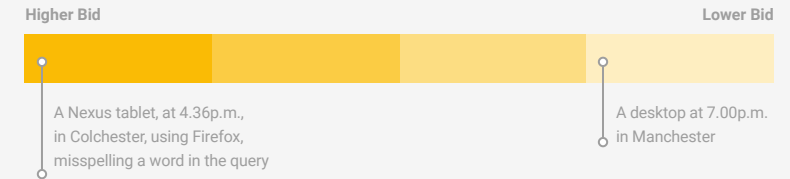
True auction-time bidding

Like we said before, given the dynamic nature of search auctions, the "right bid" is a moving target.

For conversion and revenue-based bid strategies, AdWords automated bidding offers **true auction-time optimisation** that sets bids for each individual auction, not just a few times a day. This gives advertisers a more precise level of bid optimisation and the ability to tailor bids to each user's unique search context. Rather than only adjusting bids based on aggregate performance across users, AdWords bidding algorithms also evaluate relevant contextual signals present at auction-time. These include the time of day, the specific ad creative being shown, or the user's device, location, browser, and operating system. Identifying the conversion opportunity of individual auctions helps to better differentiate bids and optimise with a higher degree of precision.
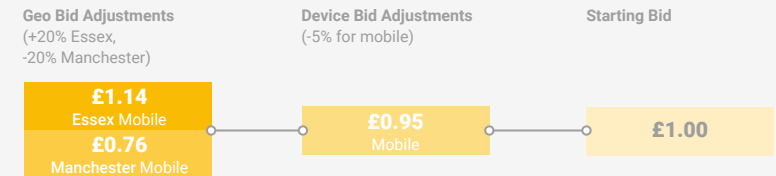
> ★ For example, a banking advertiser may identify that iOS users are more likely to open a checking account, or that smartphone users located in cities with higher branch coverage are more likely to visit a bank location. With auction-time bidding, AdWords can detect the presence of signals like these to more accurately predict conversion rate and set a more informed bid for every search query.

With **automated bidding**, you optimise precisely for the unique performance opportunity of every individual auction:

Higher Bid   **Lower Bid**

A Nexus tablet, at 4.36p.m.,   A desktop at 7.00p.m.
in Colchester, using Firefox,   in Manchester
misspelling a word in the query

With **manual and intra-day bidding**, you apply the same bid across aggregate performance segments:

Geo Bid Adjustments   **Device Bid Adjustments**   **Starting Bid**
(+20% Essex,   (-5% for mobile)
-20% Manchester)

£1.14
Essex Mobile
£0.76   **£0.95**   **£1.00**
Manchester Mobile   Mobile

Adaptive learning at the query level

With its unique insight into every auction, Google's machine learning technology computes more data at the **search query level** than any other bidding solution, to make informed, accurate optimisation decisions.

Machine learning algorithms rely on robust conversion data to build accurate bidding models that predict performance at different bid levels. While high-volume head terms often provide plenty of conversion rate data for modeling, accounts typically have low-volume or new keywords with little performance history that must be taken into account. For these low-volume keywords, bidding solutions rely on models to set bids that reflect the best estimate of conversion rates at that time.

For example, bidding solutions may test different bid levels to build the conversion rate model for a specific keyword. However, this may result in poor performance while the keyword accrues data, which can be a lengthy process depending on search volume. Another common process for modeling conversion rate performance on low-volume keywords is to "borrow" data from the same keyword across match types or from higher-level ad group and campaign performance.
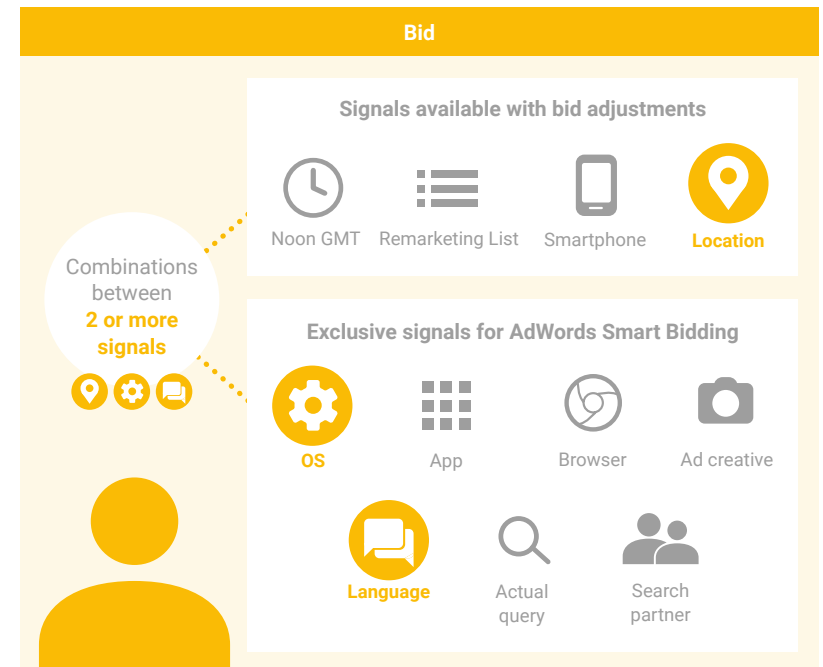
AdWords automated bidding expands upon this method by using query-level data across your account, so no matter where a keyword lives in your account structure, conversion data can be leveraged by the model in all ad groups and campaigns. This gives the bidding algorithms significantly more data to make decisions with, and helps reduce performance fluctuations when keyword-level conversion data is scarce.
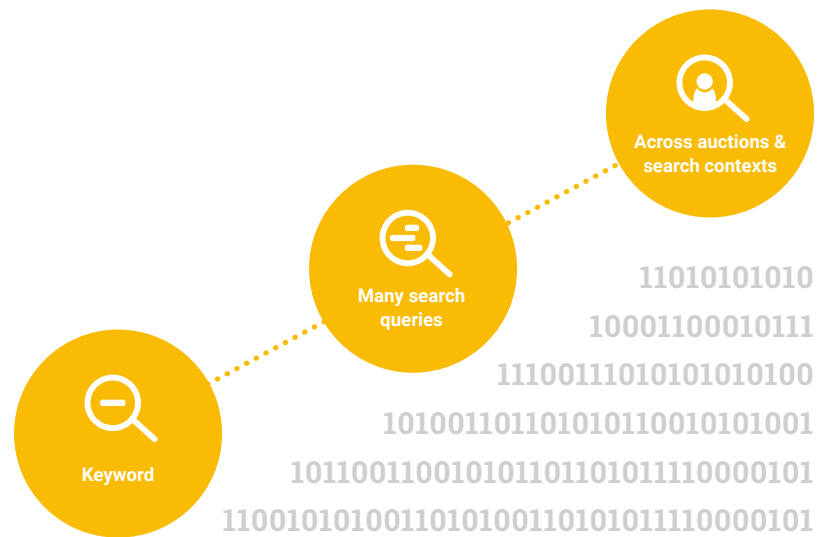
Richer user signals and cross-signal analysis

Every user search is different and bids for each query should reflect the **unique contextual signals** present at auction-time.

Every user search is different and bids for each query should reflect the unique contextual signals present at auctiontime. Signals like time of day, presence on a remarketing list, or a user's device and location are key dimensions to consider when determining optimal bids. On top of evaluating these signals, AdWords automated bidding includes additional signals like a user's operating system, web browser, language settings and many more to optimise for performance differences across platforms and users. This helps capture meaningful context for every search, allowing AdWords to more accurately predict the conversion likelihood of each auction and set the optimal bid.

Across auctions & search contexts

Many search queries

11010101010
10001100010111
11100111010101010100
10100110110101010010101001
10110011001010110110101110000101
11001010100110101001101010101110000101

Keyword

Bid

Signals available with bid adjustments

Noon GMT   Remarketing List   Smartphone   **Location**

Combinations between **2 or more signals**

Exclusive signals for AdWords Smart Bidding

OS   App   Browser   Ad creative

Language   Actual query   Search partner

Evaluating signals individually vs. analysing cross-signal effects

Individual bid adjustments for signals such as device, location, and time of day look at performance data in aggregate. For example, a bidding solution may evaluate how your mobile conversion rate across users compares to your overall computer and tablet conversion rate, and set a corresponding mobile bid adjustment. Although this method of aggregating data and evaluating performance averages helps to avoid making bid adjustments with insufficient data, it can also overlook the nuanced conversion opportunity between individual auctions. For example, a mortgage lender might determine that on average, their mobile conversion rates are 20% lower than computer and tablet conversion rates, and set a mobile bid adjustment of -20%. However, this doesn't account for the times of day where their mobile conversion rates are strong, such as in the mornings, when people may be researching loan options on their phones during their work commute. Furthermore, when you begin to layer on additional bid adjustments (e.g. for location), calculating them individually and then multiplying them together doesn't account for the potential overlap between signals. It can even produce unreasonably high bids if you combine multiple, large bid increases with a base keyword bid that's already high.

AdWords evaluates how signals interact with each other to identify meaningful correlations that impact conversion rate across advertisers. By seeing which signal combinations are most predictive of conversion performance and adding these to the bidding models, it can calculate more holistic bids that account for how certain signals work together.

See a list of several of the important predictive signals AdWords automated bidding uses below.

Contextual signals	
Device	System can optimise bids based on whether the query is coming from desktop, tablet or mobile **Example Advertiser: Car dealership** *Bid take into account if a user searches for *car dealer locations* on a desktop computer at home or from a smartphone while on the go*
Location	System can optimise bids based on the spicific location (down to the city level) the user is located in or searching for, even if location targeting is set at a higher level **Example Advertiser: Bank** *Even if location targeting is set to Greater London Region, bids take into account if a user searches for "new checking account" from different cities within the state (e.g. Westminster vs. Croydon where there may be differing branch coverage)*
Weekday/ time of day	System can optimise bids based on the user's local time of day and day of week in their time zone **Example Advertiser: Coffee shop** *Bids take into account if a user searches at 7am before work vs. noon at lunchtime on Monday*
Remarketing List (RLSA)	System takes remarketing lists for search ads into account **Example Advertiser: Online retailer** *Bids take into account if a user has already browsed the product during a previous site visit*
Ad query	System can optimise bids based on the text of the query that triggered the ad, not just the keyword it matches to **Example Advertiser: Shoe retailer** *Bids take into account if a user's query is "leather boots" or "boots repairs", even if both queries broad match to the keyword "boots"*

Ad Creative

When you have multiple ad creatives eligible to serve for a given search query, system can optimise the bid based on which creative will be shown, including whether it drives to a mobile app

Example Advertiser: Online travel company
Bids take into account if ad shown is the "latest deals" creative or the "popular getaways" creative, or if it points to the mobile site or app, based on which variation has a higher likelihood of converting for the specific query

Interface Language

System can optimise bids based on the particular user's language preference

Example Advertiser: Polish language learning site
For the query, "learn a new laguage", bids take into account whether ad is shown to a user whose Google language setting is English or Polish

Browser

System can optimise bids based on the browser the query is coming from

Example Advertiser: Software company
Bids take into account if a user searches for "mac software" from Safari or Internet Explorer

OS

System can optimise bids based on the user's operating system for that query

Example Advertiser: Phone accessories seller
Bids take into account if a user searches for "Nexus 6 phone case" from an Android or iOS device

Search Network Partner

System can optimise bids based on which search partner site the ad appears on

Example Advertiser: Consumer packaged goods brand
Different bids placed if query is coming from a more relevant search on an eCommerce site vs. a news site

Types of Adwords Smart Bidding

Adwords Smart Bidding strategies are aligned to marketing goals:

Campaign Goal	Recommended Strategy
Visibility	Target Outranking Share
Website Click	Maximise Clicks
Conversions/sales	Target CPA/ Enhanced CPC (semi-auto)
Revenue	Target ROAS

Powered by Adwords Smart Bidding

Conversion focused

Target cost-per-acquisition (tCPA): use this strategy to maximise conversions within a set target CPA ([details](#)).

Enhanced cost-per-click (eCPC): use this strategy to get more conversions while still manually setting your own base bids and bid adjustments. Does not have the full power of Target CPA or Target ROAS, as it doesn't offer full bid automation and is anchored to your base keyword bid. AdWords eCPC bid strategy can work in conjunction with third-party automated bidding and all bid adjustments except device ([details](#)).

Revenue focused

Target return-on-ad-spend (tROAS): use this strategy to get more revenue or conversion value within a set target ROAS ([details](#)).

* For more information, visit the Adwords Help Center

Smart Bidding Features

Unmatched simulations data quality: Leverage insights from millions of bids set every second across AdWords. Determine the most profitable CPA target and apply the change directly in the Bid Simulator tool.

Unique transparency: Monitor a bid strategy's performance and understand its current status:

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

Seamless high-end experiment platform: Run well-executed A/B tests to validate changes before rolling them out:
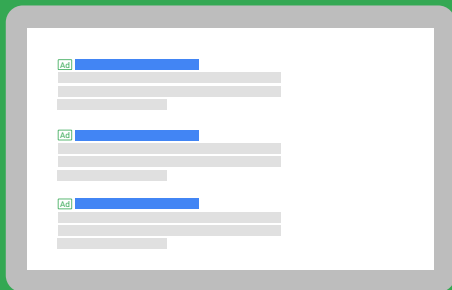
Success Stories and Advantages over other Bidding Solutions

Case Studies

AdWords Smart Bidding has already helped a diverse range of advertisers to drive better performance. After switching on AdWords Smart Bidding, online dating site Match.com saw a 145% increase in registrations within the first 20 days, while Survey Monkey, an indusry leader in web-based surveys, saw their own campaigns yield 44% more conversions over a similar time period using Target CPA. For electronics retailer AliExpress, Smart Bidding with Target CPA not only increased conversions by 93%, but also decreased cost-per-acquisition by 46%, dramatically increasing the efficiency of their paid search activity. Experian, the global information services group, were able to achieve similar gains in efficiency after they activated Smart Bidding, seeing their conversion rate increase by 18%, and their return-on-ad-

spend improve by 79% year on year. Finally, online estate agent Purplebricks not only saw a 28% increase in conversion rates when they used AdWords Data-Driven Attribution in conjunction with Target CPA, but the simplification of their paid search management freed up valuable time to focus on the brand's long term search strategy (read full story).

Advantages over other bidding solutions

Today's bidding solutions offer varying levels of bidding frequency and precision, so it's important to understand the incremental benefits of each approach:

Manual bidding: Advertisers manually set keyword bids themselves, with the option to use performance filters (e.g. for keywords with a conversion rate higher than x%, increase bids by y%). Due to time constraints, they may only optimise bids for a subset of their keywords during each round of optimisation, such as top-performers or by keyword or product category.

Rules-based bidding: Advertisers define performance criteria and bids are automatically adjusted when keyword performance meets those criteria (e.g. when average position falls below x, increase bids y%).

Intra-day bidding: Machine-learning algorithms train on historical and ongoing performance data to optimise keyword bids and bid adjustments a few times a day. This is often referred to as "real-time" bidding for search marketing, as some tools have the ability to register new conversion data as soon as it happens.

AdWords auction-time bidding: AdWords automated bidding combines machine learning algorithms with bid optimisation for each and every auction. This is the most precise, granular level you can use to set your bids.
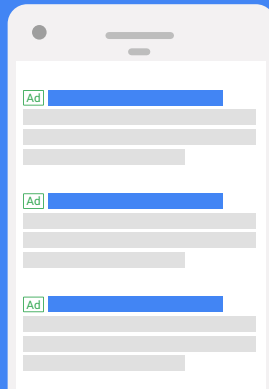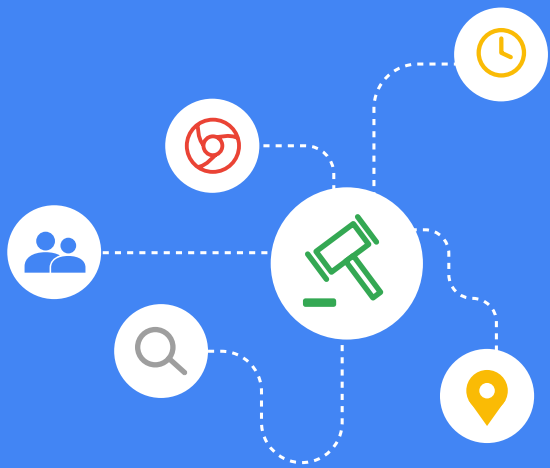
Adwords Smart Bidding Implementation

How Adwords Smart Bidding works
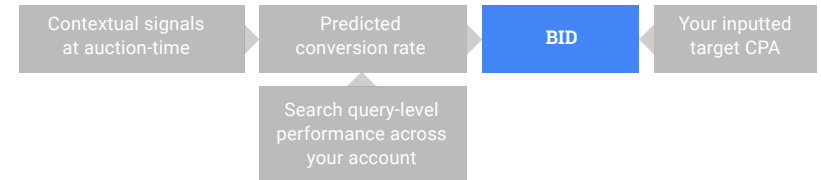
Target CPA

The algorithms predict the conversion rate outcome for a click in each auction based on the specific contextual signals present. In addition to trying to maximise conversions, bids also account for the target CPA you've specified to ensure you're meeting your performance goals. For example, if a bid strategy has recently been trending below your assigned target CPA, the algorithms may increase bids to capture more competitive conversions until we align with the target CPA.

Contextual signals at auction-time	Predicted conversion rate	BID	Your inputted target CPA
	Search query-level performance across your account		

Enhanced CPC

The eCPC bid strategy takes the keyword-level bids and bid adjustments you've implemented into account, while also giving you a degree of auction-time bidding capability. For a given keyword, AdWords algorithms will adjust the bid up or down based on an auction's predicted conversion rate compared to the average conversion rate across auctions. However, this limits the full power of automated bidding by only working on a portion of your traffic and operating within a ceiling for bid increases using the baseline you've set.

Target ROAS

The key difference in bid calculations between conversion and revenue-based strategies is the use of a target ROAS as the performance goal. In addition to predicting the conversion rate from a click at auction-time, we also apply a predicted conversion value for that click based on historical data. In other words, how much revenue a click and subsequent conversion is predicted to generate on average.

		Predicted conversion value per click	
Contextual signals at auction-time	Predicted conversion rate	BID	Your inputted target ROAS
	Search query-level performance across your account		

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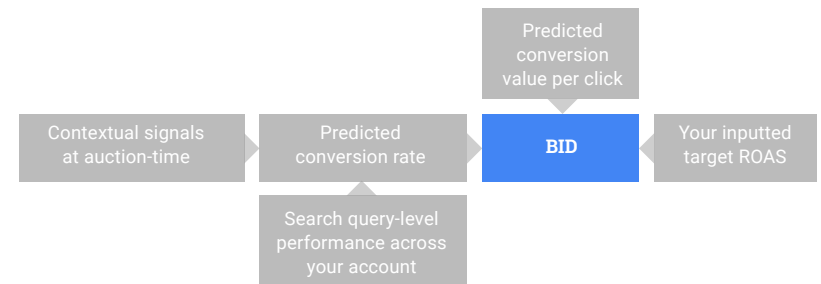
Setting up a successful smart bidding strategy

Target CPA

Launching a bid strategy with a solid foundation of conversion data can help drive faster results by speeding up the initial "learning period" during which the algorithms build and customise performance models for your business. It typically takes 1-2 weeks for our algorithms to calibrate for a newly created bid strategy, although this largely depends on the amount of conversion data present. There is no conversion volume threshold required to activate Target CPA, but we recommend to focus on campaigns, ad groups, or keywords that have generated at least 30 conversions in the past 30 days.

Number of Conversions (in the past 30 days)	ROAS Fluctuation	Initial Learning Period
30	● Medium to High	● Slow
60	● Medium	● Medium
100	● Low	● Fast
500	● **Very Low**	● Very Fast

Target ROAS

Revenue-based bid strategies tend to see greater performance variance since conversion values/revenue fluctuate in addition to conversion rates. As a result, for a bid strategy like Target ROAS, we recommend a higher conversion threshold of at least 50 conversions in the past 30 days.

Number of Conversions (in the past 30 days)	ROAS Fluctuation	Initial Learning Period
50	● Medium to High	● Slow
100	● Medium	● Medium
200	● Low	● Fast
500	● **Very Low**	● Very Fast

How will I know if the algorithms are still "learning" or have enough data?

AdWords bid strategy statuses give you deeper transparency into how your automated bid strategies are performing. For example, if a strategy is still in its "Learning" phase because you recently created it or changed the composition of its campaigns, ad groups or keywords, we will display an "estimated time left in learning" and "days since the last significant change". These indicate that the algorithms are still calibrating and how much longer you should wait before making any other changes or evaluating what baseline performance looks like. Alternatively, if your bid strategy lacks conversion data, we'll flag this with the "Limited (not enough data)" status and show you the recommended conversion volume thresholds to help AdWords better optimise bids.

Getting started: setting up your first Smart Bidding campaign

a Identify test campaigns (e.g. look in AdWords Opportunities Tab for 'Use Target CPA bidding' recommendations).

b Ideally the selected campaigns will not be budget constrained so that Smart Bidding can help to grow conversion volume. It also helps if the Impression Share is not maxed out.

c Consider an A/B test with Drafts and Experiments if your campaign has 50+ conversions every month; alternatively run a pre/post comparison.

d Set the CPA target to the average CPA the campaign achieved over the last 4 weeks and factor in conversion delay. Allow a 2 week ramp up period for the campaigns under Adwords Smart Bidding.

e Let the Adwords Smart Bidding campaigns run at full speed, ideally for 6 weeks.

f Evaluation: exclude the learning period from your analysis and consider delayed conversions when you are assessing performance.

Adwords Smart Bidding Best Practices

Test your automated bid strategies

Keep each bidding test simple, consistent and focused on one KPI.
Why: Adding new variables as you test automated bidding can muddy your test results.

Choose the largest campaign that you're comfortable experimenting with.
Why: In testing, more data means more confidence and faster results.

Start with targets that align with your historical CPA or ROAS.
Why: This allows for a better pre-post comparison. Also, overly-aggressive targets can affect your volume and cloud the comparison with your historical averages.

Factor in any relevant conversion delay, and remember to exclude the learning period from your evaluation.

Improve your automated bids

Try to keep performance targets, ads and campaign daily budgets fairly steady.
Why: Steady targets lead to steadier performance. Algorithms take time to adjust to significant changes and conversion delays.

Diagnose and resolve issues arising from significant performance changes as quickly as possible.
Why: Big performance changes likely indicate a technical issue or implementation error.

Adwords Smart Bidding + Dynamic Search Ads

Dynamic Search Ads (DSA) are coarser grained and can have a huge variety of traffic per category, so a single CPC bid - either manual or from a 3rd party tool - per category is unlikely to yield the most efficient bids. On top of this, DSA often brings traffic from relevant queries you've never shown ads on before and would have trouble optimising since there is no performance history.

AdWords Smart Bidding makes precise bids based on various performance signals, including the specific query the user is searching for. In the context of DSA, this means that your bidding in every single auction is optimised with as many relevant signals as possible, even when the query isn't one you've anticipated ahead of time. On top of that, these two products let you benefit from time savings by fully automating AdWords - from query coverage to ad headlines and bidding.

Adwords Smart Bidding + Shopping

Two of the AdWords Smart Bidding strategies are available for Shopping Campaigns: Enhanced CPC and Target ROAS.

- **Target ROAS** -- When you value conversions differently, and want to meet a target ROAS.

- **Enhanced CPC** -- When conversions are your main objective, but you also want control over your bids.

Target ROAS fully automates Shopping bids to optimise for conversion value while reaching your target return on ad spend, and also simplifies managing campaigns. It aims to deliver the highest conversion value for a given ROAS, while keeping ROAS constant. To use Shopping Target ROAS, you'll need to pass the value of your conversions on to AdWords Conversion Tracking. It's worth noting

that Shopping Target ROAS is not compatible with third party tools, as the bidding changes made by these products may conflict with the Target ROAS bidding model.

Best practices

- Use current ROAS from last 4 weeks as the initial ROAS target.

- Ensure Product Groups have >200 clicks/week.

- Do not set manual bids on campaigns/adgroups with Target ROAS.

- Leave the product group structure untouched within the Target ROAS campaign for 15 days after the implementation, then evaluate weekly.

- Do not make any manual bid changes during this time to ensure valid comparison of performance before and after implementation.

- Look at conversion value to measure changes in revenue, then at conversion value / cost to verify that you're close to your Target ROAS.

Enhanced CPC will adjust your Max CPC at the query-level for each auction to reach customers at their moments of intent. It's important to note the difference between eCPC for text ads and eCPC for Shopping Ads: eCPC for text ads maximises conversions at approximately the same Cost per Conversion, while eCPC for Shopping maximises conversions at approximately the same overall cost.

eCPC is also a great way to complement 3rd party platform bidding, as no 3rd party platform on Google Shopping has the ability to adjust bids at the query level to maximise conversion.

Best practices:

- Ensure Product Groups have >200 clicks/week.

- Test eCPC by implementing on 2-3 test campaigns, then measure after 2 weeks and expand to the rest of the account if test results are positive.

- Look at conversions, then at cost / conversion to verify you're improving conversions efficiently (note that for CVR increase to be observable, you need 100s of conversions).

- Note that CPCs may go up or Clicks may go down, but this is expected as Enhanced CPC shifts bids to queries/ products that convert better.

- We recommend reviewing performance regularly and increasing your bids to reflect the cost-per-conversion improvements you see with Enhanced CPC. This way you're maximising both volume and conversions.

Frequently Asked Questions

Can I implement an Adwords Smart Bidding strategy if I'm using a 3rd party tool?

You can implement an AdWords automated bid strategy to get the benefits of auction-time bidding while still using a third-party search management solution for bulk edits and reporting across multiple accounts and search engines. We recommend leveraging Drafts and Experiments to figure out which solutions work best for you. Lastly, eCPC can be used on top of the bids set by a third party tool - when using this approach, ensure that the measured conversions in both systems correlate closely.

Can cross-device conversions be taken into account for Adwords Smart Bidding optimisation?

Yes, cross-device conversions will be taken into account if they are reported in the 'Conversions' columns. By looking at cross-device conversions you avoid undervaluing clicks on devices that may be driving more conversions than traditional, tag-based measurement alone would report.

How will Adwords Smart Bidding be affected by short term conversion changes such as the retail industry's "Black Friday"?

AdWords bidding algorithms work to prevent hyperactivity and sudden bid changes based on limited data to ensure that they optimise based on real performance trends rather than random fluctuations.

At the same time, we recognise that advertisers often know in advance of events that will impact conversion performance for a short period of time. For example, they may be planning a weekend sale, performing website maintenance or even running a TV spot during the UEFA Champions League Final.

To accommodate these brief, anticipated changes in performance, we recommend that advertisers adjust their bidding targets (target CPA or target ROAS) proportionately to the predicted increase or decrease in conversion rate. This way, they can adapt automated bidding to short-term changes without disrupting performance in the longer-term.

How does Adwords Smart Bidding adjust for each individual advertiser's data recency and conversion delays?

Our algorithms apply adaptive historical weighting to rely more heavily on recent data in bidding decisions while also accounting for the length of your conversion cycle.

We recognise that recent performance is likely more predictive of future performance, but that recency calculations should weigh less heavily against clicks that aren't yet seeing conversions solely due to conversion delays.

A conversion delay is defined as the latency period between an ad click and the eventual conversion. For example, if you're an advertiser such as a car dealership or travel booking company with lengthier conversion cycles, your recent data may not be as useful because those ad clicks require a longer period of time to yield conversions. As a result, we'll weigh that recent data less heavily compared to advertisers with shorter conversion cycles such as a clothing retailer or food delivery service. This helps prevent overreactions to recent clicks experiencing conversion delays, which could otherwise lead to unnecessary bid reductions.

We also automate this process so that advertisers don't have to manually calculate and frequently adjust for these conversion delays themselves. For example, an insurance advertiser who streamlines their quote form may see their conversion delays shorten significantly - AdWords will automatically detect this change and adjust the historical weighting accordingly when predicting conversion rates.

▶ *For more information about Adwords Smart Bidding and additional best practices, go to the [Adwords Help Centre](#).*