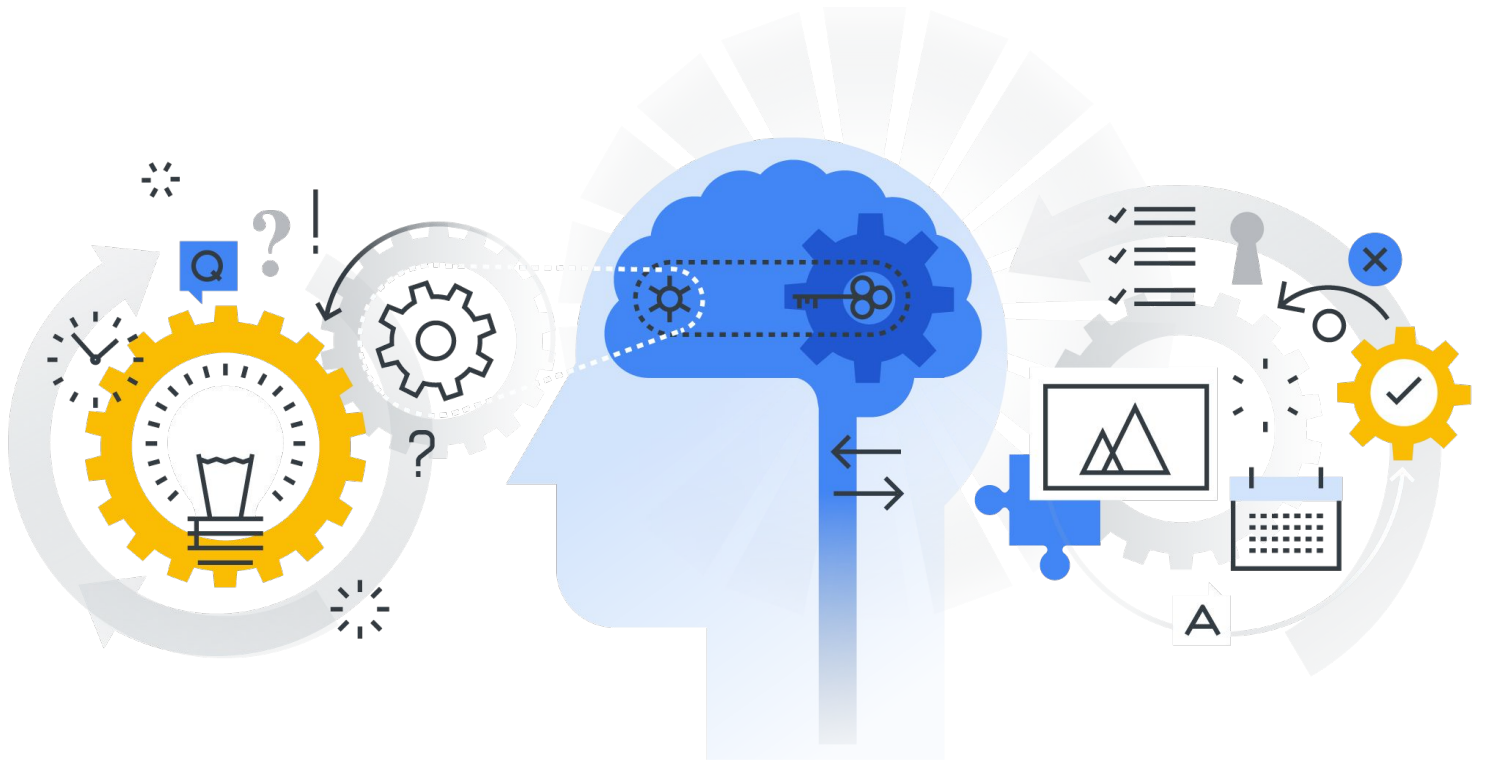


Google



# Display Smart Bidding Guide

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# Overview and How It Works

Smart Bidding is Google's set of free programmatic bidding tools which manage your bids across all devices to drive more conversions and increase your advertising efficiency. Smart Bidding helps deliver the best possible performance against your goals with the greatest possible efficiency. This guide is for advanced users who want a detailed overview of Display Smart Bidding and how to implement it in the most optimal manner. It contains best practices for setup, campaign management, and reporting in addition to transparency into how our algorithm works. For a more basic description of Smart Bidding, please see the [Google Ads Help Center](#).

Today we offer four main Smart Bidding strategies based off of conversion or conversion-value goals. These are: **Maximize Conversions**, **Target Cost-Per-Action (Target CPA)**, **Maximize Conversion Value (closed beta)\***, and **Target Return on Ad Spend (Target ROAS)**. All of these strategies can be used from day one of starting your campaign, and we recommend this as a best practice. The only exception is Target Return on Ad Spend, which requires a minimum of 15 conversions within a 30-day window.

## Conversion Based Strategies

### Maximize Conversions

The algorithm tries to drive as much conversion volume as possible given your budget; you do not provide a specific CPC, CPA or ROAS target. Can even be used without conversion tracking, although we recommend conversion data for best performance.

### Target CPA

The algorithm predicts the conversion probability of each impression to achieve the maximum number of conversions within your target CPA.

## Value Based Strategies

### Maximize Conversion Value (closed beta)

The algorithm automatically sets bids at auction time to get you as much conversion value as possible within your campaign's budget. This strategy helps you spend your budget as efficiently as possible without requiring a lot of work to set it up. There are also zero eligibility requirements, similar to other maximize strategies.

### Target Return on Ad Spend

The algorithm predicts both conversion probability and expected conversion value to try to drive the maximum total value from all of your conversions within your target ROAS.

**You can also choose one of three payment modes:**

Pay for	Description	Available for
Clicks	Pay the cost for every user who clicks on your ad.	Maximize Conversions, Target CPA, Maximize Conversion Value and Target ROAS
Conversions	Pay the cost for every user who converts on your ad.	Eligible advertisers using Target CPA (reports with Last Click Attribution)

\* Reach out to your sales team to indicate interest and discuss next steps.

## Signals Used

Our programmatic bidding algorithm analyzes key attributes about each auction and determines conversion likelihood. When used properly, the algorithm often delivers better performance than manual optimization while saving a significant amount of time.

The algorithm considers a myriad of signals about each auction and over **70 million** permutations of those signals when calculating a bid. The signals considered include:

### ● User behavior

- ✓ Recency from leaving your site
- ✓ How many pages a user viewed on your site
- ✓ Value of products viewed
- ✓ Conversion funnel progress
- ✓ Previous sites visited
- ✓ Cross-device behavior and conversions
- ✓ Remarketing list membership
- ✓ Conversion delay

### ● Ad characteristics

- ✓ Format of advertisement
- ✓ Relative creative performance

### ● Context of current web page and session

- ✓ Content of website viewed
- ✓ Structure of website viewed
- ✓ Keywords present on website viewed
- ✓ Time of day and day of week

### ● User characteristics

- ✓ Location
- ✓ Device
- ✓ Interests

## How Does the Algorithm Work?

All smart bidding strategies use the same underlying Google Ads “programmatic bidding” algorithm. We model the entire market of auctions that the advertiser could participate in with different bids. The algorithm then determines the best bidding rule to maximize volume and obtain the desired target or goal you set (i.e. Conversions or Conversion Value)

### STEP 1

Advertiser defines the target in terms of conversions or conversion value and the algorithm models a conversion rate. For Maximize strategies, we look at your traffic and infer your CPA or ROAS goal.

### STEP 2

The algorithm uses your business goal, predicted conversion rate, predicted conversion value, budget, and its understanding of the entire market of auctions to determine the right CPC for each auction.

### STEP 3

The CPC bid is converted to a CPM bid and compared with all other advertisers’ bids (both Google Ads and DSPs buying on AdX or other exchanges). Typically the advertiser with the highest CPM bid wins the auction; quality metrics such as click through rate are also considered.

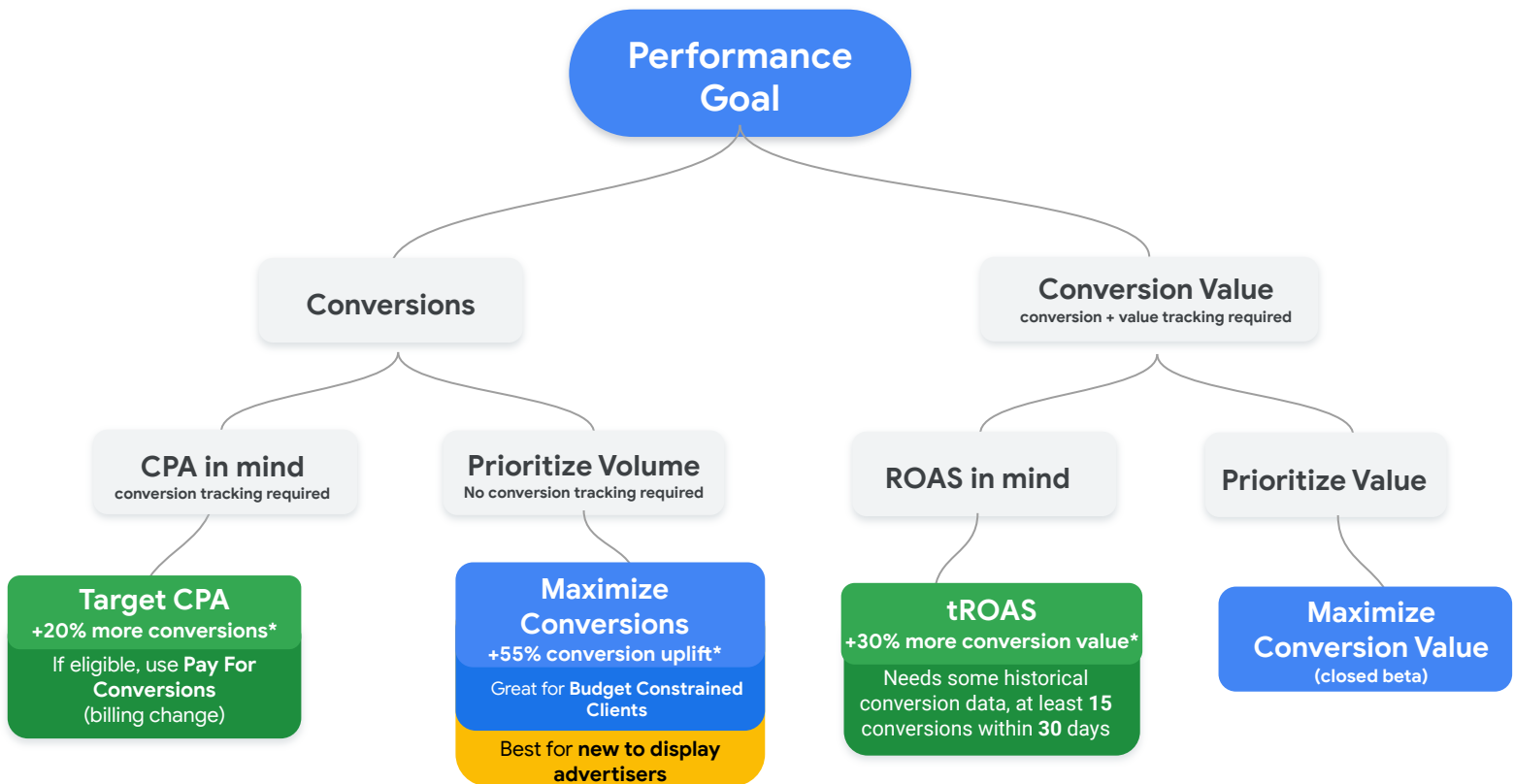
### ONGOING

The algorithm regularly evaluates predicted vs. actual conversion rates and predicted vs. actual CPA or ROAS to drive accuracy over time. When there is the potential for extreme under performance, our system will spend less to help alleviate this volatility. We may spend less because the algorithm is unlikely to achieve conversions at your target or we have not seen conversions come in as predicted. For Maximize strategies we will continue to evaluate your traffic and update your CPA or ROAS goal to achieve the best performance.

# Setting Up Smart Bidding

## 1 Choose the Right Smart Bidding Strategy

Use the flowchart below to help you determine the Smart Bidding strategy that is the best fit for your business:



\* vs. manual bidding

## 2 Setting Smart Bidding Up for Success

Now that you've chosen the right Smart Bidding strategy, ensure you are setting Smart Bidding up for success.

### Ensure conversion tracking is set up for best results.

Smart Bidding relies on accurate conversion data for the algorithm as it learns and optimizes off this data. If there is an issue with the Conversion Tracking, Smart Bidding will adjust and react to this inaccurate conversion data which can cause volume, CPA or ROAS fluctuations. We also recommend using Data-Driven Attribution (pg. 9), if eligible, for the best reporting and optimization of your Google Display campaigns.

Smart Bidding bids towards conversions from [Conversion tracking, Google Analytics](#) conversion tracking if imported to Google Ads, as well as conversions imported to Google Ads via [Offline Conversion Tracking](#). Check conversion volume in Google Ads and compare it to Google Analytics or the 3rd party conversion tracking tools you might use. If you notice a discrepancy between the two values, make sure to account for that when calculating Target CPA/ROAS. Read more about setting up conversion tracking in our [Help Center](#).



**Maximize Conversions without conversion tracking** - You can use Maximize Conversions with no conversion tracking, but having conversion tracking set up will typically generate the best performance for all Smart Bidding strategies.

## Set your targets:

If you're focused on conversions, start with Maximize Conversions or Target CPA immediately so the algorithm can bid based on conversion likelihood from the start. Target CPA doesn't require conversion volume, but it does require conversion tracking to be set up in your account. When creating a Target CPA campaign, our systems will provide initial target and bid recommendations customized to your conversion history. For those with little or no conversion history, suggestions are network-based suggestions.

If you're focused on conversion value, and you've been running Max Conversions or Target CPA. Once you have a minimum of **at least 15 conversions in a 30 day period**, you can switch over to Target Return on Ad Spend. If you're sensitive to consistently hitting your target over a 30 day period, we recommend driving at least **30 conversions per month, per ad group** before switching. Some advertisers with relevant historical data may be eligible sooner because the programmatic bidding algorithm is able to evaluate historical performance at the advertiser domain level which allows us to begin bidding effectively on a new campaign.

## Campaign and Ad Group Structure:

### Only segment ad groups when necessary

Smart Bidding performs best when allowed to evaluate performance and optimize bids across as much traffic as possible. Over-segmenting campaigns into many ad groups is discouraged unless there is a compelling business reason. Smart Bidding focuses on conversion data at the ad group-level. If you need to segment, here are the scenarios under which you would want to segment your campaign:

- **Segment if assigning different conversion values to user attributes**  
If you report conversion values and use target ROAS, Smart Bidding optimizes to deliver higher value conversions in line with your ROAS goal. If you don't report conversion values but you know some conversions are more valuable than others, then you should use Target CPA and segment.
- **Segment ad groups to show different creative**  
For instance, show a brand focused creative to an upper-funnel user and a direct response creative to a lower funnel user.
- **Segment if you have specific insights the algorithm won't know**  
For instance, if you know time-to-departure is an important statistic use this metric to segment ad groups. Create one ad group targeting only users whose departures are imminent and another for users with trips farther in the future and tailor creative messaging accordingly. Another common use case is segmenting for offline metrics or customer lifetime value.
- **Segment to provide additional insight or reporting**  
Another time to create a new ad group is when you want to completely split out reporting between targeting or creative groupings. When you have two separate ad groups, you'll receive statistics for each ad group on a separate line item in the Ad Groups report.
- **Segment if you value new users vs. existing users differently**  
Many advertisers set a higher CPA/lower ROAS target for new users.
- **Segment if you see attribution discrepancies for different segments based on 3rd party reporting**  
For instance, if Google Ads reports 50% more conversions than a 3rd party reporting tool for your keyword targeted campaign, but only 20% more for in-market segments, you should segment to account for that.

## Campaign settings:



### Budget

Smart Bidding performs best with an uncapped budget, so uncap the budget whenever possible; budget constraints can hinder performance as the campaign is not able to participate in auctions that may be highly likely to drive a conversion. **If you want to spend your budget in full, use one of our “Maximize” Strategies.**



### Ad Rotation

Rotation is set to “Optimize” when using Smart Bidding to ensure the system chooses a creative most likely to convert.



### Frequency Caps

Remove any frequency caps as this can hinder performance by preventing us from appearing in auctions with a high likelihood of converting. Smart Bidding determines for each auction what the likelihood of conversion is, thereby making it unnecessary to set a frequency cap.



### Payment Mode

Depending on the Bid Strategy you will have three options: pay for clicks, pay for conversions and pay for viewable impressions. Whenever using Target CPA and eligible, choose pay for conversions to remove fluctuations in Target CPA achievement.



#### How does smart bidding work even if my campaign doesn't have any conversion history?

The programmatic bidding algorithm is able to learn from how well publishers, keywords, and targeting performs from aggregate conversion data, as well as evaluate historical performance at the advertiser domain level. As a result of using this pre-existing learning, Smart Bidding performs best by opting in new campaigns to Maximize Conversions or Target CPA from Day 1. These campaigns typically outperform Manual CPC bidding even during the 2-4 week learning period. During the learning period, the bidding algorithm learns even more about what works for the specific advertiser and campaign to further improve performance.



#### Are Enhanced CPC and Maximize Clicks bidding strategies still available?

ECPC and Maximize Clicks are still available if your goal is driving clicks. For ECPC, the algorithm uses your CPC bid and makes bid adjustments up or down to -100% based on conversion likelihood. Maximize Clicks automatically adjusts your keyword maximum cost-per-click (CPC) bids on your behalf.



### Important


Always start with targets that align with your Display historical CPA or ROAS when accounting for conversion lag (time between click and conversion). To get the historical CPA or ROAS, view the most recent 30 day timeline (adjust for conversion delay) and look at the average CPA or ROAS across Display campaigns. If current performance differs significantly from your target, the algorithm may lower bids and your total volume may decrease. To regain volume, increase your CPA, lower your ROAS goal or expand targeting. If efficiency is more important, you can continue using your current target but remember to assess volume using the conversion volume chart on [page 10](#).

If enabling Target CPA in a campaign with no conversion history, use your CPA from other Display campaigns and/or your business goals to inform the ideal CPA. You can explore the CPA and volume trade off by raising/lowering your CPA target. Once the campaign gains enough data, you can use our [bid simulator](#) to further explore. Invest at least **2 weeks** without changes for the initial learning period - performance may be more volatile during this time as the algorithm makes optimization decisions. You can see if a campaign is in learning mode by looking in the [campaign status column](#).

# Managing Smart Bidding

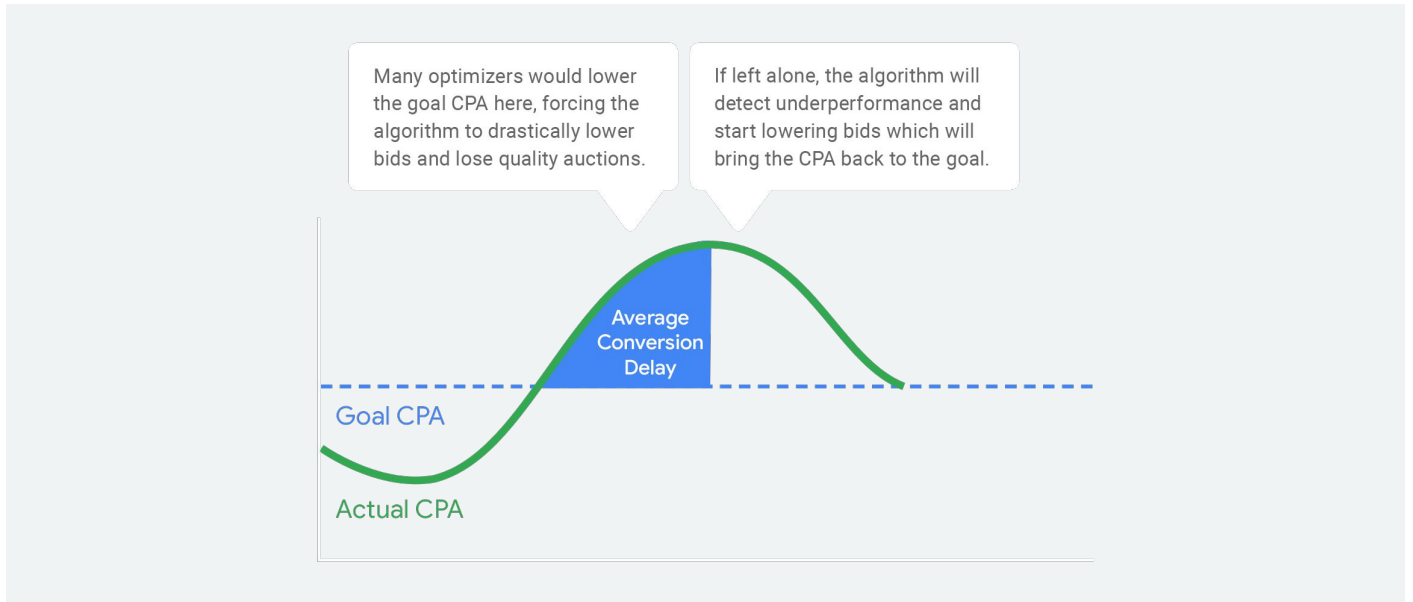
Once you've turned on Smart Bidding and confirmed progress towards your goals after the initial **2 week** ramp up period, **very little manual campaign management is needed**.

**Significant campaign changes will disrupt performance** because the algorithm will need to learn and adjust to the new settings. These changes include, but aren't limited to, bid increases, adding new creatives, targeting and audience list adjustments. For example, if you just opted in to [automatic targeting](#) and became eligible for a significant number of new impressions on which Smart Bidding doesn't have historical data, you may see a short term performance disruption. If you must significantly change a campaign currently running with Smart Bidding, make all the changes at once to reduce learning time. You can [check the status column](#) to see if the algorithm is still learning your settings.

 **Seasonal & Promotional periods** - As long as conversion rates aren't changing drastically on a daily basis, Target CPA/ROAS is the optimal way to achieve your CPA and ROI goals during short promotional or seasonal periods

**If you need to make optimizations to the campaign, limit bid changes to only +/- 20% and wait a week between changes.** Small, infrequent target CPA/ROAS bid changes aren't likely to cause a noticeable problem. If you have very high conversion volume in an ad group (100+ conversions per day) you can make more frequent changes.

If you see a **temporary performance decline**, don't panic! The algorithm learns over time and adjusts bids to compensate for poor performance. Lowering the Target CPA or increasing the Target ROAS can significantly hurt volume and performance – see chart below:



**Conversion delay** is the cause of many perceived performance declines. It can take up to several weeks for some users to see an ad and then convert. Advertisers pay the CPC cost almost immediately but the conversions for those clicks come in over time based on the set conversion window. As a result, very recent performance may look poor but gets better over time as more users convert and those conversions are attributed back to the day the click took place. Check your web analytics data to determine your average conversion delay. You can learn more about conversion delay [here](#) and view your conversion delay in the Google Ads interface.



Consider conversion delay when setting your conversion window to make sure you are capturing all conversions. If you set a shorter conversion window it can help to see results more quickly and speed up Smart Bidding learning, but you will not see the full impact of your advertising.

If you have a conversion delay of longer than 7 days, it is more difficult to predict a conversion rate which will impact our ability to accurately hit your CPA or ROAS target. We wait until we have the majority of conversions recorded before determining if our predictions were accurate; so you may see volatility while we wait for sufficient data.

If you are limited by budget, and performance is worse than your target CPA/ROAS, opt into Maximize Conversions or raise the budget until you are no longer budget constrained. Budget constraints can hinder performance as the campaign is not able to participate in auctions that may be highly likely to drive a conversion.

## Assessing Results

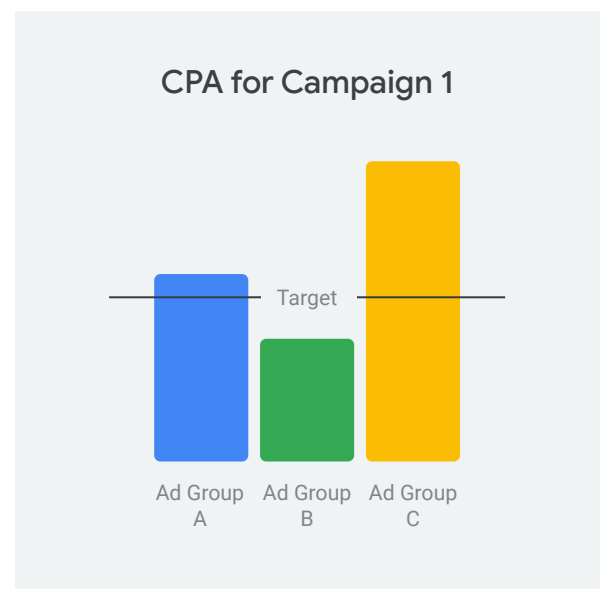
Evaluate overall performance to minimize statistical noise. Don't focus too narrowly on individual ad groups or short time periods (such as performance on a specific day as short spikes can occur), especially if you set a target at the campaign level. Make sure that the target CPA or ROAS is realistic based on historical average.

In this chart, Ad Group C is performing above the goal CPA whereas Ad Groups A and B are hitting the goal. Since the campaign is hitting the goal, don't pause Ad Group C or overall volume will suffer. The programmatic bidding algorithm will learn attributes about Ad Group C which lead to CPA above goal and compensate with lower bids.

### ★ Best Practices

Combine Ad Groups C and B/A to maximize shared learning and allow Smart Bidding to optimize across your traffic — unless segmenting for one of the reasons in section.

Use Pay for Conversions whenever available and eligible. Pay for Conversions means you will never pay more than you set as your Target CPA.



Expand the date range considered to include multiple weeks -- last 30 days is a common lookback window. When evaluating performance, **set a date range that accounts for delayed conversions**. For instance, if you have a 24 hour average conversion delay, don't include yesterday in performance statistics.



### Data-Driven Attribution (DDA) for Smart bidding on YouTube & Display

Until now, Google's non-last click attribution models have only been compatible with Search (incl. Shopping campaigns) for smart bidding. Now, we're expanding compatibility to cover YouTube and Display network traffic and events. Soon, these attribution models will be available to all customers via Conversion Settings. If eligible, Data-Driven Attribution is the best attribution model for reporting Display's impact and smart bidding optimization for your campaigns. Upon switching attribution models, you may possibly see conversion volume shift amongst campaigns.

## Smart Bidding Accuracy and Conversion Volume

Smart Bidding is more likely to perform at your target CPA or ROAS if you evaluate a time period with more conversion volume. The chart below shows expected accuracy given the conversion volume in a time period or campaign hierarchy evaluated. This chart applies to any reasonable **account structure or time period analyzed**.

If one ad group out of a large campaign only has 15 conversions during a time period analyzed, we'd expect daily CPA volatility in that ad group. The overall campaign might be consistently hitting the CPA over multiple days though. This chart does not apply for longer time periods (like all time or multiple months).

### Impact of Conversion Volume

Number of Conversions in Ad Group/Time Period	CPA or ROAS Performance Fluctuation	Reaction Time to Changes	Initial Learning Period
Fewer than 30	Medium to High (up to 100%)	Slow (up to 2 weeks)	Up to 4 weeks
50	Medium (up to 50%)	Medium	Up to 3 weeks
100	Low (up to 20%)	Fast	Up to 2 weeks
500	Very Low (less than 20%)	Very Fast (as few as 6 hrs)	Up to 2 weeks



#### Conversion Volume and Lead Generation

For lead gen advertisers, closed leads can often occur after a long process or with limited volume. Our smart bidding systems work best with greater volume and the least conversion lag possible. For the best results, we recommend selecting a conversion action that balances proximity of a revenue-generating event to volume.

## Smart Bidding and Campaign Scale

Our programmatic bidding algorithm is designed to provide your campaigns with the most conversion volume at the chosen performance goal. As the market shifts (e.g. inventory, conversion rate, seasonality, user behavior, etc), conversion volume and spend may fluctuate in order for our programmatic bidding algorithm to continue to meet your performance goal. There are a few steps you can take to scale your campaigns:



#### Increasing your CPA goal or decreasing your ROAS goal

Each of these will allow our algorithm to bid higher in each auction resulting in a higher chance of winning impressions that result in conversions.



#### Expanding your targeting with Optimized Targeting

We now offer an automated way of expanding your existing audience targeting with [optimized targeting](#). We recommended enabling this setting to generate more impressions to bid on, so our algorithm is able to find more conversions.



#### How Does a Change in Conversion Rate or Bid Impact Scale?

There is strong correlation between bid and scale, and conversion rate and scale. A bid or conversion rate increase results in more scale, whereas a bid or conversion rate decrease in less scale.

# Seasonality & Promotions

More seasonal volume only improves Smart Bidding. As long as your conversion rate isn't changing drastically on a daily basis due to short-term sales or other factors, Target CPA/ROAS is the optimal way to achieve your CPA and ROI goals. If you're running a flighted campaign for a quick promotion period, the minimum amount of time where we recommend a smart bidding strategy is 7 days. We recommend Maximize conversions for such a short window. Anything shorter than 7 days, we recommend Max CPC.

If your conversion rate is changing drastically due to a short-term sale or seasonal event or holiday (1-7 days in length), we have the ability to inform the algorithm of the expected spike. Reach out to your sales team to discuss next steps.

## Creative Best Practices with Smart Bidding

Ensure your creatives are well tailored to your audience. Try to avoid full creative swaps where you change all ads in an ad group. If you need to do a full creative swap, expect a temporary performance shift while your new ads gather performance history; scale will only return to previous levels if the ads perform similarly in terms of click through rate and conversion rate. New ads may have different performance vs. the current ads which can impact the scale achieved.



### Why Does Adding New Ads Impact Performance?

- Ad rotation settings affect which creatives enter the auction
- New ads don't have performance history to understand their expected clickthrough and conversion rates – therefore Google automated bidding has less data to make a bidding decision
- When determining how much to bid for a particular creative, we evaluate factors such as historical CTR, CVR, device, publisher, ad size to set the bid

## Minimizing volatility when refreshing creative on Google Display Ads

- If using asset-based creatives, gradually rotate in new assets and do not pause down all existing assets at one time; performance history for asset-based creatives is associated with both the individual assets as well as the ad unit itself. So removing all of the assets can cause significant history loss.
- If using static uploaded creatives, swap out one ad (per ad size) at a time and pause down the lowest performer in the ad group - pause don't delete ads if you plan to relaunch.
- **Do** relaunch paused creatives rather than uploading the same creative again – we can use the old history to ramp up.
- If you're using third party serving then you limit the data Google can optimize toward.
- **Do** follow all GDA creative [best practices](#).
- **Do** use Maximize Conversions rather than Target CPA or Target ROAS if you are changing all creatives out weekly in an ad group.
- **Do not** pause all creative assets in an ad group at one time - this results in performance volatility. If you must swap out all, raise bids 20%.
- **Do not** drop bids at the same time you add new creative assets to an ad group – Remember that performance of your creative impacts your scale - if you add new ads or assets that drive lower click through rates or conversion rates, you may see a drop in traffic and conversions as a result.

# Summary of Key Concepts



## **Provide More Conversion Data for Best Programmatic Bidding Performance**

- Campaigns with significant conversion volume have more consistent data points for the algorithm to learn from, and have fewer performance fluctuations over time
- If you're looking at a date range for a campaign or set of ad groups with under 100 conversions, expect more performance fluctuations
- Assess performance at the campaign level to evaluate results



## **Algorithm Can Adjust Quicker to Shorter Conversion Delays**

- If you have a conversion delay of longer than 7 days, it is more difficult to predict a conversion rate which will impact our ability to accurately hit your CPA or ROAS target.
- Consider setting a shorter conversion window if feasible for your business model. This can help speed up Smart Bidding learning.
- Secondary option is to consider bidding towards a micro-conversion as these often have less than a 7 day conversion window (ie. email sign-up).



## **Only Segment When Necessary**

- If a campaign is segmented into many ad groups, individual ad groups may experience performance fluctuations due to low conversion volume.
- Remove unnecessary segmentation to ensure easy performance tracking.



## **Do Not Manually Optimize – Smart Bidding optimizes for you, using the power of automation**

- Can greatly improve ROI or increase volume (though not overnight)
- Doesn't overreact to short term changes
- Only acts on statistically significant data
- If performance is not hitting the goal, the algorithm will adjust bids
- Uses Optimize for Conversions as the ad rotation setting to maximize performance



## **Set Campaign Settings According to Smart Bidding Best Practices**

- Smart Bidding takes creative performance history into account but doesn't decide which creative to show; Optimize for Conversions is the ad rotation setting anytime you are using Smart Bidding.
- Smart Bidding doesn't consider budget constraints. If you're limited by budget and Smart Bidding is having a difficult time reaching your goal, you can switch to a lower CPA or higher ROAS to more effectively utilize budget.



## **Evaluate Performance Using CPA and ROAS**

- The algorithm goal is to achieve the maximum number of conversions within your target CPA or target ROAS. Thus, focus on CPA and ROAS metrics to determine performance. It is natural for impression and click volume to fluctuate. As long as the campaign is achieving CPA or ROAS, volume fluctuation is normal due to auction dynamics.

# FAQs

## **How can I restart Smart Bidding? I don't like the data it has already collected.**

- Smart Bidding cannot be restarted but is always learning and reacting to changing auction environments, so restarting is unnecessary.

## **How can I let the algorithm know I expect an upcoming increase in conversion rate due to a sale or seasonal date?**

- We are typically able to inform the algorithm of upcoming conversion rate changes due to a sale or seasonal event. We recommend discussing this topic with your sales team.

## **What devices or inventory types does Smart Bidding work for on display?**

- Smart Bidding works across all devices and inventory types including Desktop, Tablet, GDA In-App Inventory and Mobile.

## **What do you recommend if I have low conversion volume?**

- Consider bidding towards a micro-conversion that shows intent or likelihood to leave to a sale. This may be something such as an time on site, pages visited or an email capture.

## **Does it matter if the Target CPA or ROAS is set at the campaign or ad group level?**

- No, Smart Bidding will work the same way regardless of where the target is set. However, ad group targets override the campaign level target. Using Portfolio Bid strategies does not change how Smart Bidding optimizes or the data uses.

## **If I add multiple remarketing lists to one ad group will Smart Bidding bid differently for each?**

- Yes, we will learn against and bid differently for each individual list ID.

## **What is the best course of action if there is a site or pixel issue that affects data for Smart Bidding?**

- We are able to blackout data in certain circumstances such as a site or pixel issue. We recommend discussing the issue with your sales team to see if your situation warrants a blackout of data.

## **How can I switch on Smart Bidding as quickly as possible?**

- For Maximize Conversions and Target CPA, you can activate immediately. For Target ROAS, using Maximize Conversions or CPA allows the system to collect data most quickly. Do not use CPM bidding.
- Sometimes you'll be able to turn on Target ROAS sooner than expected because we have significant prediction data from your previous advertising campaigns.

## **I want to move from Maximize Conversions to Target CPA or ROAS – what is the best way to do so?**

- Set your Target CPA/ROAS based on the achieved CPA or ROAS for the past 30 days, when considering conversion lag. For best performance, only move to Target CPA or ROAS when you are driving at least 30 conversions per ad group/month.

# Next Steps

- Implement Maximize Conversions, Target CPA, Maximize Conversion Value, or Target ROAS
- Make only small changes ( $\pm 20\%$ ) to target CPA/ROAS during initial ramp up
- Use Pay for Conversions whenever available and eligible
- Allow 2-4 weeks for the algorithm to learn

