Bidding and Optimization Strategies for the Modern Search Marketer
Search advertising spend is projected to grow an incredible 12.2% to reach $25.7 billion by the end of 2015, according to a recent Edelman poll.¹ This statistic indicates that marketers are still investing heavily in search, which remains the most-trusted media source among internet users.

While these numbers show that marketers are confident in the performance of search ads, however, they also highlight the growing competition for top spots on the search engine results page (SERP). With competition on the rise, marketers are left wondering how to stand out from the crowd and maximize ROI from their search budgets.

The key to success for today’s modern search marketer is crafting and executing a strategy with a strong focus on optimization. This paper will discuss the foundation of a strong bidding strategy, the latest trends that will impact advertiser success, and best practices for optimizing search marketing programs across devices.

**Lay the Foundation with Clear Business Objectives**

For many marketers, keeping up with the various bidding strategies available today can be overwhelming and confusing. Some strategies are based on simple manual calculations, while others require more sophisticated algorithms and factor in historical data. To further complicate matters, marketers frequently have diverse campaign objectives. These include achieving a particular position on the SERP, maintaining a certain CPA, and maximizing overall profit. There is no such thing as a one size fits all bidding strategy.

Although it can be difficult to choose, selecting an ideal bidding strategy should come down to one simple question: what are your business objectives? Marketers who can clearly identify their business goals can then select and employ the bidding strategies that will be most effective in helping them to achieve those objectives with maximum returns.

The most basic type of bid management strategy is one in which an advertiser monitors and manages their keywords manually. In this situation, advertisers can calculate boost increases by applying basic Boolean [if/then] logic. For example, the advertiser can decide to boost bids by a given percentage if they reach a certain number of clicks, have been active for a certain time period, and have accumulated a certain number of conversions to individual keywords. This approach is very time-consuming, prone to error, and rudimentary in that it factors a limited amount of data into its calculations.

On the other hand, algorithmic bidding is a more advanced method that provides advertisers with automation and control. Advertisers using this approach can more easily bid toward a varying set of business objectives including goals, constraints, and budgets. At a high level, algorithmic bidding goals can be divided into position-based or financial. Let’s take a look at each of these in more detail.

Algorithmic bidding can be geared toward financial goals or position goals depending on the advertiser’s business objectives

**Position-Based Bidding Goals**

Almost every marketer has a set of keywords that are useful for building brand awareness. These are often brand keywords that marketers should bid up in order to maintain a desirable position on the SERP. While advertisers may instinctively want to bid for the top [1-3] positions, it is important to remember that prime real estate on the SERP may not always be where keywords achieve maximum profit. When utilizing position-based bidding, advertisers should take into account any other objectives they have to ensure there are no competing interests.

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Financial-Based Bidding Goals

Marketers who want to achieve business objectives such as clicks, conversions, or profit will find bidding strategies based on efficiency to be best suited for their needs. When calculating bids for a financial objective, the incremental cost of a bid should never be more than its incremental value. For example, if a marketer has a specific target CPA, he or she should check that the target CPA does not exceed their daily budget.

A general overview of how bids are calculated by Marin for financial goals.
Build a Better Strategy with Volume-Based Optimization

While algorithmic bidding certainly helps advertisers meet their goals for individual keywords, it may not necessarily result in maximizing profit for the overall collection of keywords. In order to achieve maximum profit, advertisers should consider utilizing a volume-based optimization strategy that has all keywords working together. What this means is that rather than managing keywords individually, volume-based optimization has all a marketer’s keywords working together. This way, instead of depending on one keyword to help a marketer reach their ROI target, all the keywords in a set are working together to reach that target. The volume-based optimization approach is particularly geared toward driving gross profit. When there is an extra dollar to spend, volume-based optimization will determine which keyword[s] will provide the highest revenue in return.

Volume-based optimization is most effective when applied to the head terms of a given set of keywords. The large amount of historical data associated with head terms means that volume-based optimization can more accurately assess how much to invest in each keyword.

Here are some best practices for utilizing volume-based bidding strategies:

- **Don’t neglect tail terms.** While head terms are generally more visible, tail terms make up the majority of searches. Unfortunately, tail terms generally don’t have much historical data available. To overcome this obstacle, leverage Bayesian Estimation to predict performance and estimate bids for tail terms. In combination with volume-based optimization, this is the most comprehensive and insight-driven approach for maximizing overall profit.

- **Take unexpected factors into account.** Unexpected factors, such as website downtime, can have a huge impact on performance. Utilize a bidding tool that allows you to exclude any outliers from the historical data used to calculate bids, such as Marin’s excluded dates feature.

- **Plan for seasonality.** Bidding tools can also be helpful when it comes to planning for seasonality, including sales and promotions. Using a feature like Marin’s Dynamic Actions, advertisers can automatically apply a percentage boost to any campaigns or groups that fit their pre-designated criteria. This automated handling of user-specified criteria ensures that advertisers never miss a chance to increase visibility during crucial seasonal events.

- **Incorporate external data.** Knowledge is power, and the old adage is especially true when it comes to bid management. Using sophisticated tools, advertisers can harness the power of their data warehouses and third-party data feeds to build flexible rules that adjust bids based on trends in contextual
data. For example, an advertiser using Marin could bring inventory data into the platform and use it to automatically boost bids for keywords with high inventory. Other use cases include setting bid overrides, bid caps, and bid floors based on fluctuations in the data. By leveraging external and contextual data, it is possible to make smarter and more informed bids.

In addition to these foundational elements of bid management and optimization, advertisers should also consider a host of newer factors. In particular, budget forecasting, audiences, and mobile have become critical components of successful search advertising programs.

**Leverage Improved Insights for Effective Budget Planning**

Sophisticated search marketers understand that budget management and optimization are critical components to their success. Every year, quarter, or month, marketers endure the stressful task of planning their budgets. This includes considering a number of different variables such as new products that may be coming out, seasonal trends, or expanding advertising efforts into new devices and channels. In addition to planned activities, marketers must also be ready to deal with the unexpected, for example, sudden shifts that impact budgets.

Here are some best practices for making the most of marketing budgets:

- **Define your goals.** Since budget planning is such a routine exercise, often utilizing many of the same investments each time, it is tempting to take the copy and paste approach. However, having a clear goal in mind and adjusting budget accordingly is crucial. For example, if an advertiser’s primary goal for the quarter is to increase customer acquisition, it may make more sense to invest budget in retargeting customers instead of upselling products.

- **Budget wisely.** Spend across different sets of keywords varies widely due to different business goals and characteristics, such as product lines, brand terms, geographic targeting, and more. To combat this variability, marketers should utilize portfolios for more effective management. Budget forecasts can then be developed for each portfolio so marketers can see and account for actual, projected, and cumulative spend for each day of the month. Since forecasts are based off historical trends and data, marketers can use them to accurately pace budgets and minimize the potential for over- or under-spending.
Be prepared for unexpected budget shifts. As unplanned events occur, marketers may struggle to adjust their budgets and understand the impact on performance. Budget planning tools can be extremely helpful in looking beyond current spend and gaining insight into forecasted performance metrics including clicks, conversions, and revenue. In Marin, advertisers can leverage “What-If” analysis to determine where extra budget would deliver the greatest returns. On the flip side, if a marketer experiences unexpected budget cuts, they can leverage “What-if” analysis to inform the best way to shift budget around to maximize performance. Being able to see this information in a comprehensive graphical interface allows marketers to easily compare and contrast scenarios for different target spend amounts.

While marketers can’t quite predict the future, innovations in the search advertising industry are making it easier than ever to make more informed bid decisions that are backed by a wealth of data.

Get to Know Your Audience

The default paid search strategy for many marketers is to simply get as many eyeballs on their ads as possible. However, not all consumers have the same intent and interest so there is no one ad type that appeals to everyone. Instead, marketers that create ad experiences targeted at specific audience groups are more likely to capture the attention and business of those consumers. Optimizing targeted ads works best when marketers have a good understanding of specific audience interests and behaviors.
Here are some best practices for incorporating audience targeting into any bidding and optimization strategy:

- **Get a second chance.** According to Google, 96% of consumers do not make a purchase on their first visit to a website.\(^3\) Since Google introduced Remarketing Lists for Search Ads (RLSA) in 2013, they have proven to be a highly effective way for marketers to re-engage with consumers and improve overall conversion rates. Using RLSAs, marketers can easily boost bids, select keywords, and tailor ads for audiences that have previously visited their website. Bing Ads also has plans to deliver a remarketing product, which is currently in pilot. According to Brian Utter, GM of Network and Demand Management at Microsoft, “The industry is moving towards audience based buying – a focus on marketing towards people and not just keywords or pages. The ability to understand who a user is and what their interests are and layer that with keywords gives marketers better signals to provide better and more relevant ads. Our customers are excited about our plans to offer remarketing soon within Bing Ads to tap into this shift.”

When it comes to setting up bidding for RLSAs, marketers have two options: “Bid only” and “Target and bid.” Marketers who are interested in applying a remarketing list to an existing campaign should set their target settings to “Bid only.” This setting ensures that the marketer’s ad is shown to everyone and bid adjustments are only applied to the audience they’ve selected in their remarketing list. However, if a marketer wants to manage their remarketing efforts separately from their regular campaigns, they can duplicate an existing campaign and set their targeting options to “Target and bid.” The “Target and bid” setting ensures that the campaign is only displayed to the audience

on the remarketing list. If a specific campaign is performing well, copying that campaign and applying a remarketing list is a great way to fine-tune and focus on reaching repeat customers.

According to a 2014 Marin Software study, only 17% of US marketers who use Google AdWords also utilize RLSA. This indicates there is still a great opportunity for marketers to implement an RLSA strategy to increase ROI.

- **Know what your audience wants.** It can be difficult to determine which keywords work best for a marketer’s target audience. Figuring out which keywords are driving page visits and conversions is crucial in determining how much to invest in them. Using a campaign measurement solution, such as Bing’s universal event tracking or Google’s conversion tracking, allows marketers to gain insight into their investment by attributing conversions based on the last click across campaigns and devices. Furthermore, this solution provides additional metrics such as duration of visit, pages per visit, and number of visits – all of which can be used to understand the value of a keyword. Marketers can leverage this data in conjunction with their remarketing efforts for an accurate calculation of bid boosts by audience.

- **Location matters.** In addition to behavioral factors, marketers should also look into segmenting by location. Geographic location of consumers can have a big impact on the way they respond to ads and make purchases. For example, consider a sporting goods retailer with several brick-and-mortar locations. Stores located near ski resorts would likely expect higher traffic during the winter months versus stores that are not. To account for this, the retailer can utilize location bid adjustments at the target location level to bid higher on ads for stores located nearest to the ski resorts.

Retailers with an international presence can also leverage location bid adjustments to account for varying trends or preferences. For example, an international grocer may benefit from adjusting their bids on products that are subject to regional tastes and preferences.

Combining the right bidding strategy with carefully thought-out campaigns is an excellent way to show relevant ads tailored to specific audiences.

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Account for the Rapid Growth of Mobile

In 2015, 49% of the US population will use their mobile phone for searches, a percentage that will keep continuing to rise.\(^5\) In response to the rapid adoption of mobile devices, marketers are expected to increase their mobile search ad spend by 47.7% for a total of $12.8 billion in 2015. With this incredible investment going into mobile search, how can marketers ensure that they’re getting the best return?

**Give your mobile strategy a boost.** Many advertisers have keywords that perform differently depending on device type. Accounting for this difference, mobile bid adjustment recommendations (MBAR) are a great way to boost visibility for the keywords that perform best on mobile. For example, since mobile search users tend to be looking for quick information like store locations or phone numbers, marketers may choose to boost related keywords on mobile to drive more clicks. Conversely, there are many keywords that do not perform well on mobile. In those cases, marketers should use a negative mobile bid boost to decrease bidding for those select keywords. To highlight the difference that enabling bid boosts in campaigns can make, Marin found that clients who adjusted their bids for mobile had 10% higher CTR than those who did not.\(^6\) Additionally, while CPC was static for clients who did not use mobile bid adjustments, clients who did saw a drop of 2.5%, signaling increased efficiency.

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5. Source: eMarketer, 2015
6. Marin Global Online Advertising Index: Q2 2013 vs. 2014 – 33% rise in boost client CTR vs a 23% rise for non-boost clients
Keep devices in mind. Although Google and Bing have done away with device targeting in Enhanced Campaigns, that doesn’t mean marketers are limited to bidding uniformly across mobile and desktop. Marketers who want more control over their mobile bidding can opt for a device-specific bidding solution that provides the ability to bid by conversion type on a specified device. Unlike Google, Bing Ads offers even more flexibility, allowing you to adjust your bids across desktop, mobile, and tablet. “Not all devices perform the same,” says Brian Utter. “Searches conducted on mobile, desktop, and even tablets vary in performance, so offering the flexibility to adjust bidding strategy across devices of all form factors is important to advertisers.” For example, using device-specific bidding, marketers can adjust keyword bids based on conversion performance metrics. This method makes it easy to see which devices their keywords are most effective on and bid accordingly.
Make sure your ads are optimized for mobile. Marketers who advertise on mobile should be especially conscious that their ads are optimized by device type. Smaller screen sizes and differing consumer behaviors should lead advertisers to think through the mobile experience. Oftentimes this means less text and more actionable or location-based data on mobile, versus longer and more detailed information on desktop. Finally, marketers should make sure that their landing pages are optimized for mobile. Nothing is worse than having a potential customer click on an ad, only to lose them because they’re not able to navigate the website.
The Modern Marketer’s Bidding Optimization Checklist

As this paper has detailed, the key to success for today’s modern search marketer is crafting and executing a strategy with a strong focus on optimization. To recap, here is a best practices checklist that any search marketer can use to ensure they’re set up for success in optimizing their search marketing programs across devices:

- Have clearly defined objectives in mind when developing your bidding strategy
  - Utilize Bayesian Blending to more accurately predict bids for tail terms
  - Control bidding outlier events with bid boosts or date exclusions
  - Leverage data from external sources to make more informed bidding decisions

- Make the most of your budget with powerful forecasting tools
  - Define goals for each ad campaign for more effective budget planning
  - Organize bidding portfolios by advertising goals
  - Adapt to budget changes with “What-if” analysis

- Understand your audiences
  - Remarket to past website visitors with RLSAs
  - Connect meaningful consumer behavior to specific keywords with conversion tracking
  - Utilize geo bid adjustments to provide relevant ad experiences to different audiences

- Leverage the popularity of mobile devices
  - Boost bids for keywords that are popular on mobile devices with MBAR
  - Manage bidding on different device types by conversion with device-specific bidding
  - Optimize your ads and creative for the mobile experience

While bidding and optimization is not an exact science, the tools and recommendations described in this paper help take some of the guesswork out of this complex area of advertising. Armed with an updated bidding strategy and the latest innovative technology, sophisticated marketers are able to obtain the highest ROI for their time and financial investments.
About Marin Software

Marin Software Incorporated (NYSE: MRIN) provides a leading Revenue Acquisition Management platform used by advertisers and agencies to measure, manage and optimize more than $7 billion in annualized ad spend. Offering an integrated platform for search, social and display advertising, Marin helps advertisers and agencies improve financial performance, save time, and make better decisions. Marin’s technology powers marketing campaigns in more than 160 countries.

For more information about Marin’s products, please visit: http://www.marinsoftware.com/solutions/overview.