# Google Ads

What are Google Ads, and how do they work

![Clikk logo]

Introduction

Search engines are how we find things on the internet.

Search engines index' websites, crawling through their content and making decisions based on what they find so that they can create a profile in their database.

This profile is used for searching. If a website is about horses, typing in a horse-related search term will show the website.
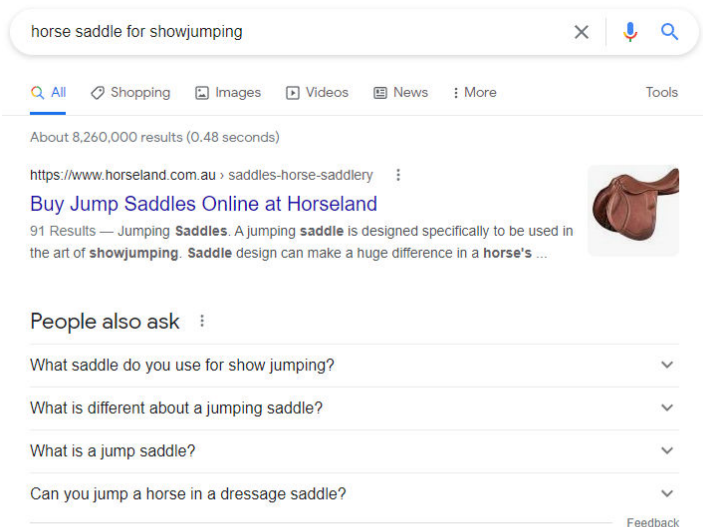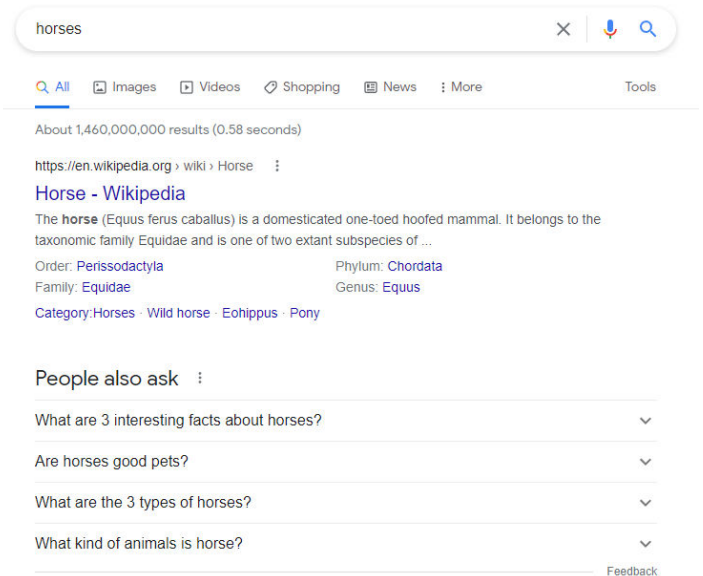
If you wanted to know something specific about horses, like which saddle you should use if you want to do long-distance endurance or showjumping, you would need to put that more specific search term into Google.

In order for Google to determine that a website should be shown for a particular search term, the website in question needs to have content relating to saddles, specifically showjumping saddles.

Once Google has determined the website is relevant to the search term, it will index the page and allow it to feature in the search results.

These results are organic and primarily influenced by Search Engine Optimisation or **SEO** marketing.

It's important that Google understands what your site is about to get the best results.

Google Ad types

There are several types of Google Ads; each appears in different places on the internet and has different possible goals.

Search and Shopping

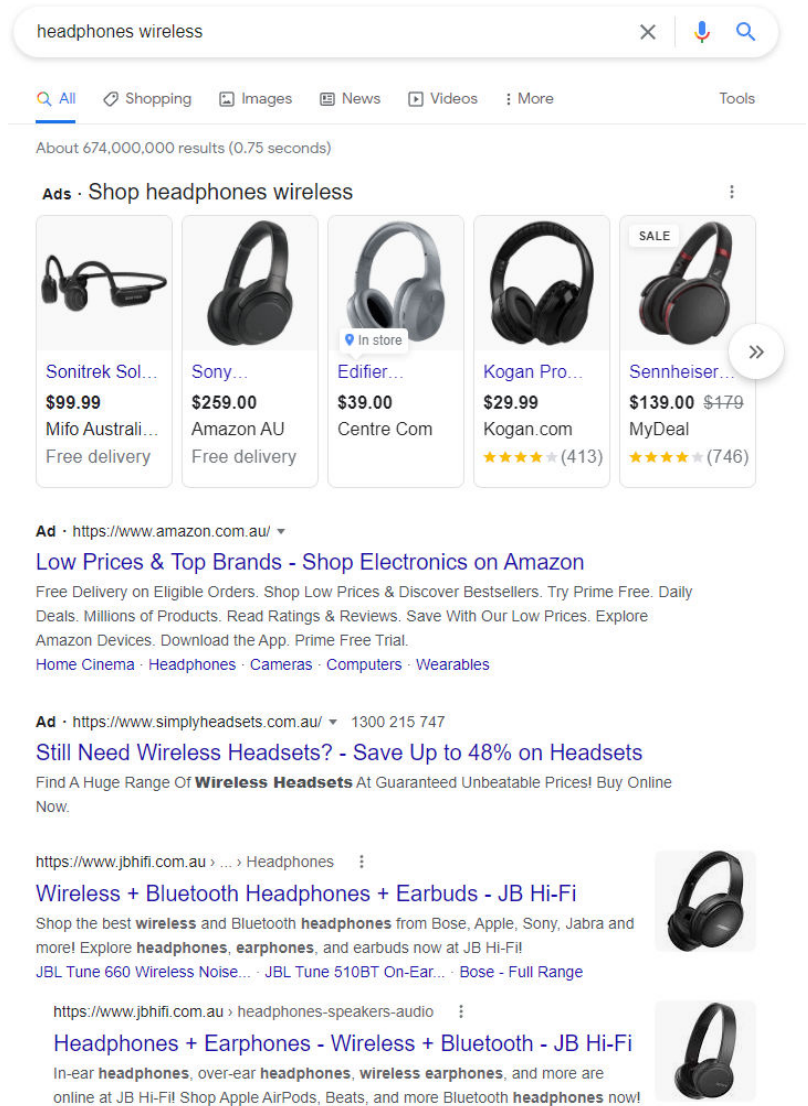These ads appear only when you use Google search.

Search Ads show in the top 4 spots on the page, increasing their visibility over unpaid results and shopping ads appear above or to the side of Search ads.

Shopping ads will only show if there is a relevant product for the search term.

Search, and Shopping ads are most successful when used for lead generation or sales.

People using Google search are generally looking for solutions or researching so making ads that help them solve their problem are very successful.

Shopping Ads are also highly effective for retail businesses but require a 'feed' of products from an eCommerce store to create the ads.

Display Ads

These ads appear on any website which is part of Google's Display Network (GDN). Websites like news sites or industry specialist sites opt-in to the network and generate ads revenue from Google for clicks on the ads. These ads can also appear on other Google-owned services like Gmail and Youtube.

Display ads can be fully animated to grab the attention of someone scrolling down a page or have simple animations done automatically by Google.

They also have a huge range of targeting options, much like social media ads.

They can target interests, web pages, keywords, demographics and locations.

You can also create custom audiences that target people based on how they interact with your website.

Display Ads are ideal for:
- Brand awareness
- Remarketing, in conjunction with an incentive to return to the website
- Remarketing for shopping ads
- Targeting competitors effectively (using a custom audience)

Display ads should always be considered a key part of any digital marketing strategy.

Google My Business/Local Ads
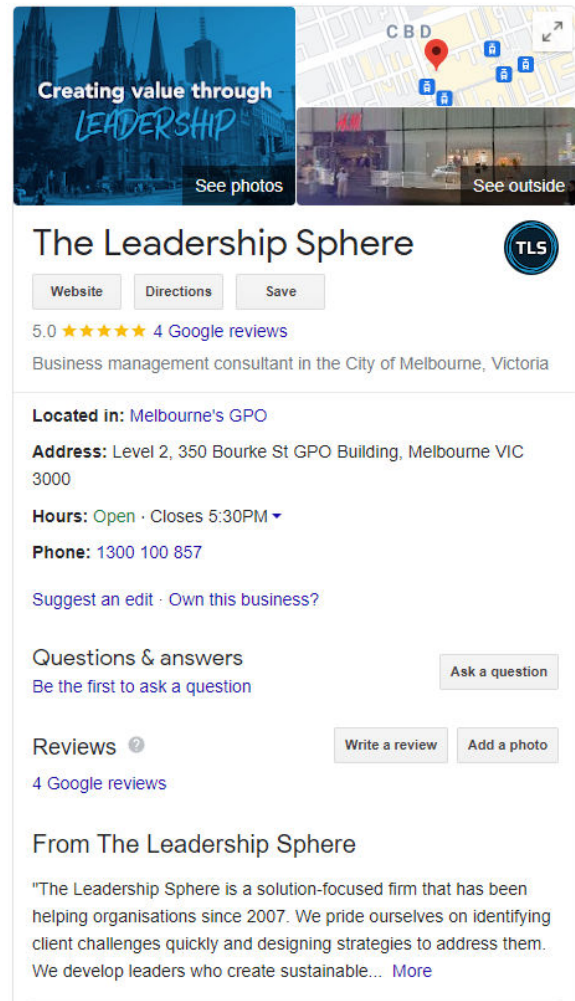
These ads use Google Maps and Google My Business to improve your visibility locally.

The right panel will automatically show when you search for a business name, but Google Ads can push this information above organic results.

Keywords can be added to these campaigns for people searching for general services.

For example, if someone is looking for a car mechanic, Google Ads can place a pin for that business on Google maps, highlighting it as an ad and improving its visibility above competitors.

A paid ad will be promoted to the top of the list on the right-hand side of the map results.

The Leadership Sphere

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Google Video Ads/YouTube

Video ads are much like Display Ads in that they can appear within the Google Display Network, but they are most effective on YouTube.

6-second bumper ads are shown before someone watches their video, unskippable ads show during a video, and consideration videos appear on the search results on YouTube.

There are many different types of video ads to choose from, each with its own unique benefit.
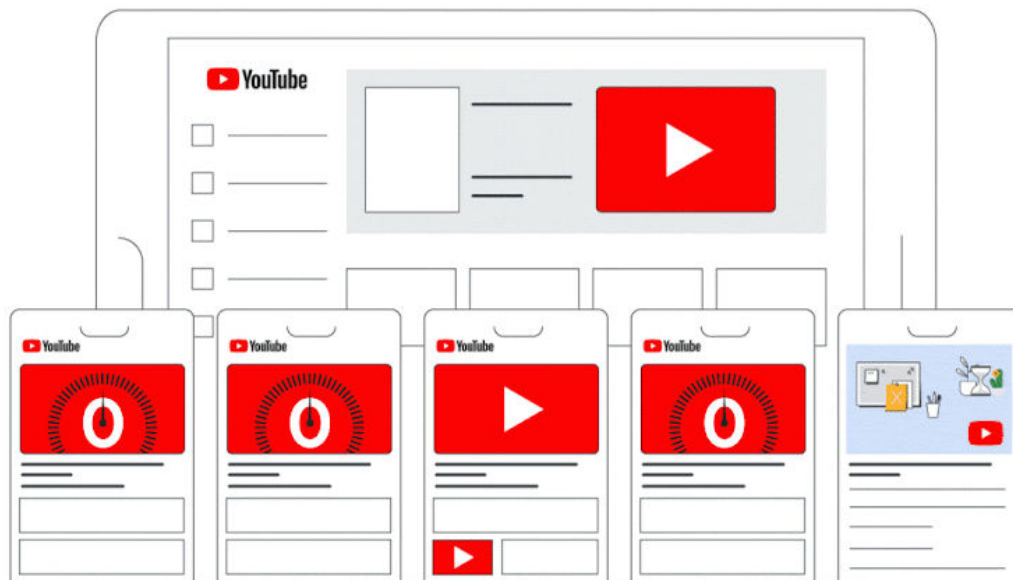
You can find out more about video ad types here: Link.

Google App Ads

These are ads for promoting an app, not for showing ads in mobile apps.

However, all ad types can be shown within apps on any device (Android, Apple, Windows), but generally, they aren't very effective without careful consideration.

If your business had a mobile app, you would use these ads to encourage downloads.

Ads might appear in other apps, or when searching the Google Play app store, they might be promoted. Store promotion ads only work on the Google Play store, however.
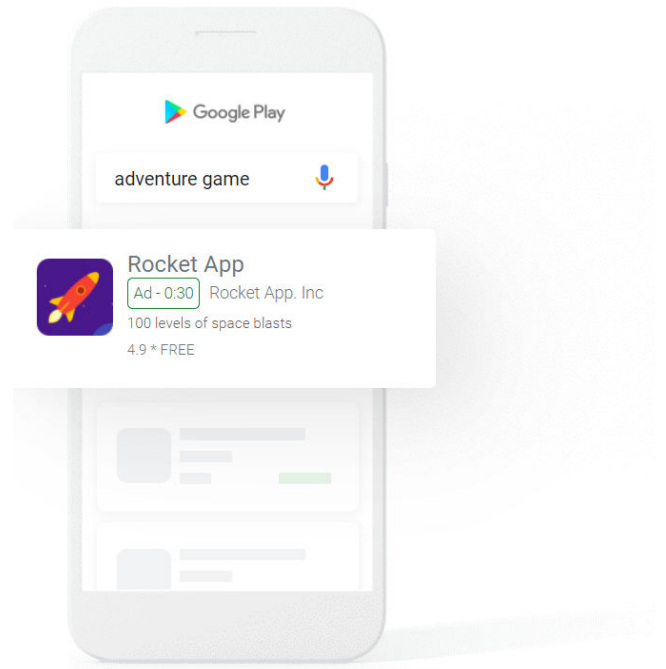
How do Google Ads work?

Every type of ad works on the same underlying principles:

1. **The targeting**: Who will see your ads
2. **The budget**: How much you are willing to pay for a click, and how many do you need
3. **The auction**: You and your competitor's budgets

1 and 2 are under the control of the business and influence number 3, but ultimately the auction is what matters.

The Targeting

- There's no point trying to sell men's shoes to women.
- A teenager isn't likely to be able to afford a luxury sports car.
- If you provide services in Melbourne, there's no point in showing your ads in Sydney.

Yet all of these things, and worse, are happening right now in Google Ads accounts around the world.

Targeting ensures you don't waste your budget.

If you have $100/day to spend and every ad click costs you $2, showing your ads to the wrong audience reduces the opportunity to get clicks from your target audience.

Some of this can be decided before running your ads, and some of it can be optimised over time as enough data is collected. For example, 18 - 35 males might click on your ads for a luxury sports car, but they convert far less than 35+ males, so showing them ads is an ineffective strategy.

The budget

CPC or Cost Per Click is how much Google predicts a click is worth. This is defined by Google: sometimes it's fair, and sometimes it's ridiculous, but CPC is important as it controls just how competitive you can be and how many of the potential clicks you can get based on your ad spend.

For example, if you pick a popular keyword with a CPC of $10, a daily budget of $100 will get you approximately 10 clicks a day.

If you decide that's too expensive, as you need 20 clicks a day to get the opportunity to get a valuable lead, then this reduces your competitiveness. Your competitors who spend more may get the leads by spending more on the click or have allocated a higher budget.

Understanding the competitiveness of the keywords, the return on investment of getting the clicks and the likelihood of getting a conversion from the click all go towards deciding the budget.

Sometimes this doesn't become apparent until sufficient data has been collected, but a low budget with high CPC keywords can reduce the chance of a successful Google Ads campaign.

The auction

The auction occurs when someone types in a search term into Google Search.

Google looks at a number of factors:
- Who is bidding for the keyword
- How much are they willing to pay for the click
- How much budget do they have left
- Do any campaign settings influence the bid in the auction?
- Is the campaign meeting best practice guidelines (what is the quality score)?

The auction winner gets the best Ad Rank which is the position the ad appears on the page, position 1 being the best performing and ads outside of the top 4 on page 1 performing the worst.

Ad Stream has a great infographic here.

Your Ads

You've won your auction, your ads are visible to your target audience, you're good to go!

Depending on the type of campaign you are running, your ad should:
- Be relevant to your target audience
- Build on the existing customer journey
- A click should continue the journey and give something of value or relevance

Remember that your ads may be above or below your competitors, so it's important to ensure that your ads are at least as good as theirs.

You can assess this by researching their ads.

1. The main goal is to clearly address your audience on the service or product.
2. Your unique value proposition is visible, relevant, and different/better than your competitors if possible.
3. Encourages your audience to click with a clear call to action.

Avoid generic ads which use phrases like 'value for money or 'great customer service', we're number 1' as they are overused and aren't very engaging.

UVPs like 'Money-back guarantee', 'made in Australia', 'We'll match our competitor's price', or 'cruelty-free ingredients' are good differentiators. The best-performing headlines are generally unique to the industry and call out your expertise.

Optimisations

A/B testing or split testing is another key element. Giving Google multiple options to present to your audience allows them to optimize using machine learning or give data which allows you to pause and rethink underperforming ads and images.

Stock images should be replaced as soon as feasible as they never truly represent your brand.

Campaign Management

After a campaign has been running for a period of time that gives you a reasonable sample size, you can start reviewing and optimizing.

A reasonable sample size would be a minimum of 1000 impressions for the particular ad. Display ads that can be a couple of hours and a couple of days or weeks for search ads, depending on the audience and volume of searches.

Statistically relevant data is all that matters with digital marketing.

If you asked 10 people if they liked Coke or Pepsi, you wouldn't have a good enough sample size to gauge popularity, but 1000 opinions would be very valuable.

Once you have at least 1000 impressions, as long as there has been A/B testing, you can start seeing which images, videos, or ad copy is getting the most engagement.

This is measured by the Click Through Rate or CTR; the higher the CTR, the better.

But which metrics really matter?

It's important to look at the campaign's business goal when judging its success.

A campaign that is selling shoes is going to want to measure revenue vs ad spend, so if you had an ad with a CTR of 8%, but it generated $10k in sales vs a 15% CTR and $6k in sales, you would look at the first and test an alternative or hybrid of the two ads to get the CTR up and generate even more sales.

A brand awareness campaign wants to reach as many unique people as possible, but they have to be relevant to the products and services being shown to them. There's also no point in showing 1000 people the same ad daily, so spamming them will be counterproductive.

Understanding the goals, the audience and the metrics required is the best way to build a successful campaign.

Is it working?

When evaluating a Google Ads campaign, you want to look at the following:
1. Is the CTR above 2.5%?
2. Is the bounce rate below 70%?
3. Is the cost per acquisition acceptable?
4. Are the leads of good quality?
5. Are sufficient leads coming in to meet business goals?

- A CTR above 2.5% is standard for the average campaign; above 10% indicates a strong engagement with the audience with relevant keywords.
- A bounce rate above 70% indicates a number of possible issues:
    - A poor customer journey
        - Poor ad quality in relation to the keyword
        - A substandard landing page experience
            - Doesn't mention the keyword
            - Doesn't give anything of value
            - Hard to find information
            - No clear calls to action
            - Looks unprofessional
            - Typos or mistakes in the text
        - No or slow follow-up to the CTA
    - Website issues
        - It's slow to load
            - Not optimized for speed
            - Slow web hosting
            - Large images
            - Technical issues
        - Not mobile-friendly
        - Design errors
        - Missing an SSL certificate/reports, it's insecure
        - Missing a Favicon
- The cost per acquisition helps determine if the conversion is profitable. Sometimes it's hard to define what that needs to be for service-based businesses, but having an approximate value can help guide the campaign and filter out undesirable audiences.
- Leads need to be of value to the business. Even if the campaign's main goals are met, the leads need to be ready to convert and meet the cost per acquisition.
- Meeting a target number of leads is common for business sustainability. Increasing the budget doesn't always mean more leads. There need to be sufficient available searches,

and those searches need to be ready to convert. Increasing the budget will eventually hit a glass wall where additional research will be needed:
- What market share do my competitors have?
- Can I acquire more market share from them?
- Does the campaign have any missed opportunities to reach new audiences?
- Could some excluded audiences, perhaps due to poor conversion rates, be reassessed with a new approach?

Measuring Success

Whilst there are lots of metrics to check, being able to map keywords back to conversions for optimisation is important.

Google Ads can provide this information, you can set up a report from Google Ads, or you can use a reporting tool to show this information specifically.

Once there is sufficient data in the account, the things to review are:
1. Are the keywords producing searches?
2. Are the ads being clicked?
3. Are there any conversions?

When reviewing these, here are some things to consider:
- Some keywords might not have much search volume, but Google discourages chasing low-volume keywords sometimes and will flag them as Low Volume. It's better to not chase these keywords at all and see if there's another way to reach people using something similar.
- Ad clicks should aim to be around 2.5% CTR. It can be below that for highly competitive keywords with thousands of impressions a day but not bidding competitively can also reduce your CTR. For example, if you used the keyword Red Shoes but couldn't bid too high for a click without undermining your profit margin, your ads might show too far down on the page to get clicks. This will reduce your CTR as ads lower on the page get far fewer clicks. Google will suggest you increase your CPC or budget to improve this, but there it can often be better to use less competitive keywords.
- Conversions are part of the Google Ads campaign, but they aren't controlled by the campaign as such. If you send 1000 people to a poorly designed and slow website with an overpriced product, that's not something you can fix in Google Ads. These issues can only be fixed on the website or the business. Conversions that are visible in Google Ads are optimized by reviewing keywords that convert at the right cost, but the conversions have to meet business objectives to be worth keeping and optimizing.

Keywords can be reviewed using Search Terms, which are what people typed into the search bar. This is more valuable than reviewing the keywords used in the account as these represent what is actually happening when people are searching for your product or service.

The main things to be looking for are:
- Which searches are performing well
  - Are the searches relevant to the business? If not, they need to be added as a negative so ads don't continue to be triggered. Negatives are a black list for searches that tell Google to not show ads when some types something in that isn't relevant or doesn't perform well. For example, someone selling red shoes may not sell shoe laces so adding 'laces' as a negative would block searches for laces, making the campaign more efficient. Collating negatives with similar themes is better than adding them individually.
  - Are there any searches that could be combined together to make a new ad? For example, searches for 'leather red shoes' 'red shoes made of leather' 'red shoes leather' would get a better experience with its own ad group rather than continuing to use just 'red shoes'
  - Are there searches that are highly relevant without conversions? If you provide the product or service for the search, but searches haven't converted, it's time to analyze the landing page and the customer journey.
- Which ads are performing well:
  - Some ads resonate better than others, the right images, a great unique value proposition, all can result in a higher CTR and conversion rate than others. Responsive ads allow for continuous and automated A/B testing by letting you put 15 different headlines together that are optimized using Google's machine learning algorithms. Google will suggest ad copy to change to improve the CTR.
  - It's more important to look at the conversion rate of an ad than the CTR (or keyword) as the goal is to get leads. It's better to tweak a high converting ad, keyword or campaign to get a higher CTR than risk a drop in leads by changing something that's working.

Account growth
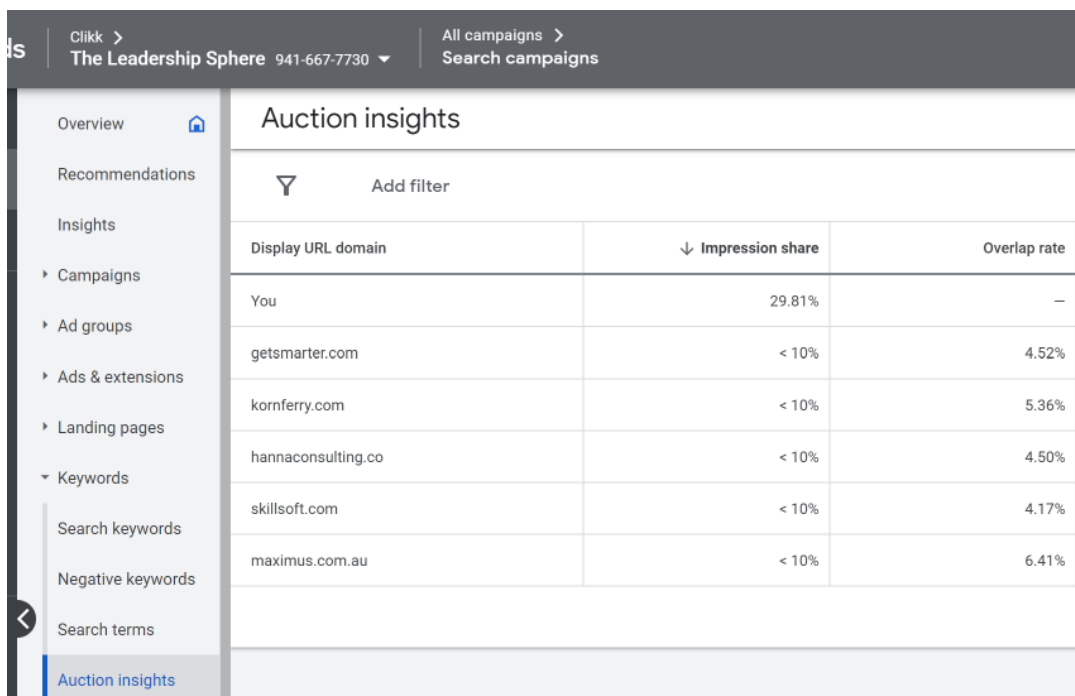
When should you increase your ad spend?

Growth potential is measured using competitive metrics like Impression Share or clicking on Auction Insights.

Auction insights can be checked at the account level all the way down to the individual keyword. It also includes who else is bidding on your keywords, which can give you an idea of who is out there but also if you are competing with a company you shouldn't be due to targeting that is too broad.

Here's how Google explains Impression Share:

"Impression share" is the number of impressions you received divided by the estimated number of impressions you were eligible to receive. Eligibility is based on your current ads' targeting settings, approval statuses, bids and Quality Scores. This number is updated once a day.

The image below shows auction insights for the entire account. In this case, the impression share shows us that ads are only showing 29% of the time. This can be due to a low budget, under-performing keywords, over-broad targeting or Google not quite understanding the context of the keywords and it estimating keywords that aren't relevant but are included as part of a broad keyword match type.

Whilst Impression Share can tell you what your potential could be within the confines of your existing campaigns, you also want to consider if your budget or any artificial restrictions are holding things back.

For example:
- Is your ad spend being efficiently spent? Are you spending the budget on locations or audiences that aren't effective? If your audience is unisex, but one gender is less efficient, and you have room to grow, maximise your budget on the higher-performing gender only until it peaks or generates diminishing returns. Then return to the other gender to take existing learnings and optimise further.
- Use the 80/20 rule: In this example, 80% of your conversions will likely come from 20% of your keywords. To boost your campaigns, pause the lower-performing campaigns to get more budget into your high-performing ones, then review and optimize the other ones. As long as a better ROI is met, some of the additional profit can go back into the other campaigns.
- Are you trying to sell all your services? Not every product or service is equal, and spending money trying to sell something that isn't getting as much traction is detrimental to the success of those that are working.
- Restrictions like the maximum cost per click, maximum cost per conversion, locations, ages, etc. can be great for optimization, but only when the data supports it. Try to start a campaign with as few restrictions as possible.

The process is mainly about measuring what's available, what opportunities are available, what has been missed and how to best move into new areas.