

ARE YOU SPENDING YOUR PPC BUDGET WISELY?

BEST PRACTICES AND CREATIVE TIPS
FOR PPC BUDGET MANAGEMENT



WordStream



GUIDE

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In pay-per-click marketing, as with so many things in life, you have to spend money to make money. But how do you figure out what you should spend?

Your monthly and annual budget is a huge part of your PPC strategy, so whether you're new to PPC or have been doing it for years, it's worth taking a step back to figure out if you're making the most of your spend.

The most important consideration for budget planning is your lead needs. You'll need to sit down and figure out some characteristics of your leads, such as:

- Lead quality
- Target cost per lead (CPL)
- Buying cycle
- Visitor frequency
- Geographic location

If you're not sure what your target lead looks like, start by answering the following questions:

- What can I afford to spend?
- How do I place value on a "lead"?
- What is my current conversion rate?
- How many leads do I need through PPC?

Let's take a closer look at the information you'll need to make smart decisions about your PPC budget.

HOW MUCH BUDGET DO YOU NEED TO GET STARTED IN PPC?

Once your marketing team knows the answers to these questions, you can do some basic calculations to help you figure out a budget. Here's an example of how that math might work:

Required Leads	250
Conv Rate	15%
Traffic Goal	1667
CPL	\$25
Budget	\$41,666.67



If you need 250 leads in a month and your conversion rate is 15%, then you need a traffic goal of 1667 visitors per month to turn 15% of them into 250 leads. If your cost per lead is \$25, you'll need \$41,666.67 per month to drive that many visitors and leads, or \$1388 per day.

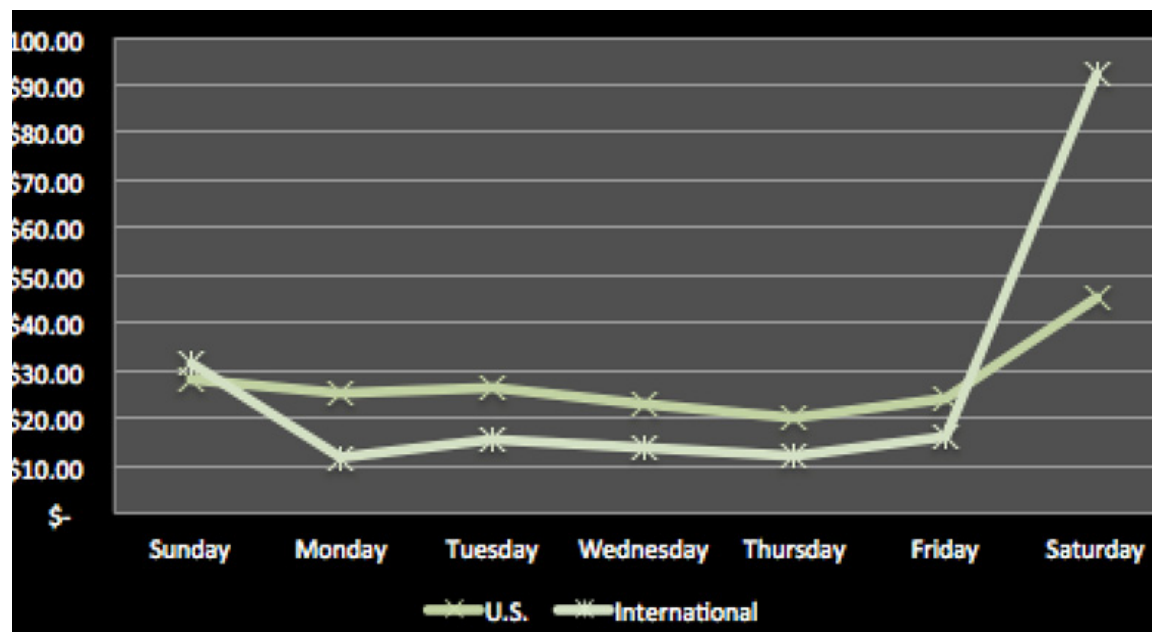
WHAT AFFECTS HOW YOU VALUE YOUR LEADS?

The value of a lead will depend on a few factors:

- **Geography** – Are your leads more or less relevant based on location? Are you willing to pay more for leads from certain areas?
- **Frequency of interaction** – Do most leads have a complicated attribution system? Are there many “touches” with a prospect before they convert?
- **Bounce rate/Time on site** – What behavior does your user have post-click? How are they interacting with your site?
- **Precedence** – What have you seen to be qualified in the past?

You can better control the quality of the leads you bring in through PPC via segmentation strategies like negative keywords (filtering out terms that don't convert), placements/site exclusions (controlling the sites where your display ads appear), and dayparting (adjusting your bids based on time of day and day of the week). In addition, segmentation helps you better understand if you're spending your budget wisely.

For example, if you dig into the data of how your PPC ads perform at different times and in different areas, you might find that your CPL on Saturdays, especially for international traffic, is significantly higher than it is on the other days of the week:



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At this point, you'd want to ask yourself: Is the quality of those leads I'm bringing in on the weekends worth the extra cost? Or should I dial it back a bit? This is where bid adjustments or just changing your ad scheduling can come into play and help you maximize the allocation of your budget.

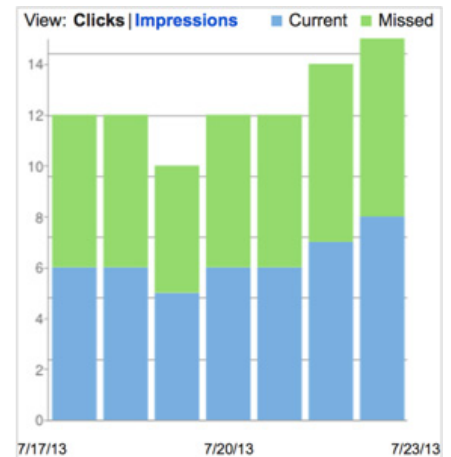
LOOKING FOR GROWTH OPPORTUNITIES

Will doubling your budget give you double the leads? How can you identify your marginal gain from each dollar spent?

It can be difficult to estimate how changes in your budget will affect your overall results, but Google offers some tools to help you in that regard.

I'm sure at some point you've seen the "Limited by budget" notification in your AdWords account. If that's the case, Google offers a tool that will help you estimate how many more clicks you could expect to get (and at what cost) if you raised your budget:

Daily Budget	Estimated Daily Clicks	Estimated Daily Cost	Estimated CPC
<input checked="" type="radio"/> \$60.00 (new)	12	\$57.90	\$4.83
<input type="radio"/> \$45.00	9	\$43.40	\$4.83
<input type="radio"/> \$30.00 (current)	6	\$28.90	\$4.83
<input type="radio"/> \$22.50	4	\$19.30	\$4.83
<input type="radio"/> \$15.00	3	\$14.40	\$4.83
<input type="radio"/> Set a different budget: \$ <input type="text"/>	--	--	--



As you can see, the AdWords Traffic Estimator (now part of the [Keyword Planner](#) tool) shows what Google perceives your growth opportunities to be. Were you to expand your budget by X amount, you could potentially garner Y results. If you haven't had a lot of experience working outside your current spend levels, these budget estimations, provided through the Google interface, can give you a view of the traffic you're missing out on.

This table illustrates how you might track your budget settings and adjust your allocations over time. The calculations regarding regular daily spend, remaining spend split over the remaining days of the month, and what changes you need to make – paired with the estimate data – should allow you to establish your budgets for the future.



Will doubling your budget give you double the leads? How can you identify your marginal gain from each dollar spent?

Campaign	Jan 3 New Buc	4-Feb	1-Mar	7-Mar	11-Mar	17-Mar	20-Mar	9-Apr	12-Apr
Campaign A	25	10	10	10	10	10	20	15	15
Campaign B	50	50	50	50	50	50	50	40	30
Campaign C	10	-	12	8	5	5	5	-	-
Campaign D	85	100	120	110	100	90	110	110	110
Campaign E	10	10	10	8	5	5	5	5	5
Campaign F	90	75	45	45	35	35	45	45	65
Campaign G	85	120	120	120	120	120	120	115	115
Campaign H	15	15	20	20	20	20	20	20	20
Campaign I	100	90	120	100	100	100	100	100	100
Campaign J	20	20	20	15	15	15	20	20	20
Campaign K	50	10	25	8	10	10	10	8	8
Campaign L	10	8	12	8	5	5	5	-	-
Campaign M					10	8	8	8	8

Reduce campaign budgets by 550 508 564 502 485 473 518 486 496

Regular Daily Spend \$ 300.00
 Remaining Monthly Spend \$ 6,179.40
 Remaining Daily Spend \$ 294.26

Current Daily Spend 313.4
 Decrease Daily Spend By \$ 19.14

Difference 22

X VS. Y – THINGS TO CONSIDER WHEN SETTING BUDGETS

Now let's take a look at how some different scenarios will affect your PPC budget, including:

- Keyword considerations
- Search versus the Display Network
- Search engine (Google versus Bing)
- Device (mobile versus desktop/tablet)

HIGH FUNNEL KEYWORDS VS. MONEY KEYWORDS VS. BRANDED TERMS

How should you allocate your budget for different types of keywords? It's helpful to think in terms of your **lead funnel**:



At the top of the funnel, people are just exploring their options; they're not yet ready to buy. This part of the buying process will correspond to [top-of-funnel informational keywords](#); they're worth something to you, but not as valuable as traffic lower down in the funnel.

In the consideration phase, lower down, you'll find people who are narrowing down their options and *might* be ready to buy. These keywords are probably worth more, since they present an opportunity to increase brand awareness and trust.

Finally, you have the very bottom of the funnel, where customers are in the purchase stage. At this point, the customer hopefully already knows and trusts you. These are your "ready to buy, don't mess this up" keywords – and therefore deserve more of your overall budget.

Here's an example of a working budget model:

- **Branded Searches** – Good for raising account CTR
- **High-Funnel Keywords** – Lower Quality Score terms (therefore higher costs) that push to informational offers (lower value)
- **Low-Funnel Keywords** – More competition, but higher QS, and push to trials, demos, sales (higher value for your business)

Those are some basic guidelines, but raise or lower your allocations if:

High Funnel Keywords		Lower Funnel Keywords		Branded Search	
Raise if...	Lower if...	Raise if..	Lower if...	Raise if..	Lower if...
You're doing lead generation	You're doing ecommerce	You're doing ecommerce	You're doing lead generation	Competitors are bidding on your brand terms	You don't have a brand

SEARCH VS. DISPLAY

The average share of budget allocated to the Display Network on Google is 19%. However, we allocate a higher percentage – almost half. Why? Because we use remarketing as a form of conversion rate optimization to convert other traffic (recent visitors we want to keep engaged).

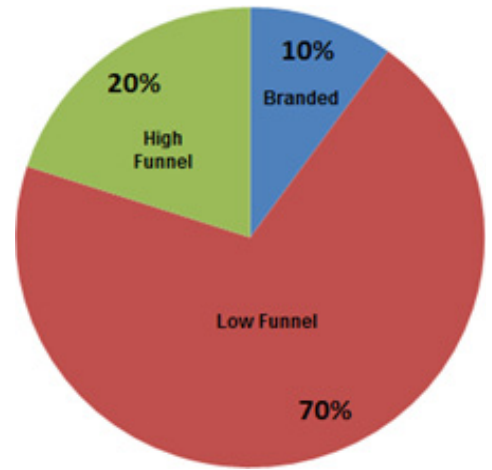
It's a good idea to raise or lower the percentage of budget you spend on Display depending on two factors: **your industry** and the **level of competition**.

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Some industries actually have a higher average conversion rate on the Display Network than traditional search – if you operate in those industries (like travel and auto), you might want to allocate more budget to display.

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Industry	Conversion Rate for Google Search	Conversion Rate for Google Display Network
Finance	6.12%	5.12%
Travel	1.45%	2.99%
Shopping	3.58%	2.19%
Jobs & Education	6.09%	2.09%
Internet & Telecom	6.27%	8.59%
Computers & Electronics	4.79%	2.96%
Business & Industrial	4.23%	4.10%
Home & Garden	2.21%	3.43%
Autos & Vehicles	4.29%	6.15%
Beauty & Fitness	4.56%	2.27%
ALL of Google (all industries)	5.63%	4.68%

Note that average CPCs should also be a factor in your budgeting decision – some industries have a larger disparity in cost per click on search vs. display:

	Google Search	Display Network
Finance	\$ 3.09	\$ 1.03
Travel	\$ 0.29	\$ 0.28
Shopping	\$ 0.25	\$ 0.27
Jobs & Education	\$ 1.80	\$ 0.34
Internet & Telecom	\$ 1.11	\$ 0.40
Computers & Electronics	\$ 1.39	\$ 0.44
Business & Industrial	\$ 1.67	\$ 0.97
Home & Garden	\$ 0.76	\$ 0.83
Autos & Vehicles	\$ 0.97	\$ 1.03
Beauty & Fitness	\$ 1.11	\$ 1.01



You may want to take advantage of significantly lower CPCs in Display even if your conversion rate is lower.

On the other hand, you probably shouldn't even bother with display if you have an extremely small budget (less than \$1K per month). Further, don't worry about Managed Placements, Similar Audiences, Interests and other nitty-gritty Display Network options until you've exhausted Remarketing.

BING VS. ADWORDS

How should you allocate your budget between the top search engines – Google (AdWords) and Yahoo/Bing? You can start by looking at market share stats:

comScore Explicit Core Search Share Report*			
May 2013 vs. April 2013			
Total U.S. – Home & Work Locations			
Source: comScore qSearch			
Core Search Entity	Explicit Core Search Share (%)		
	Apr-13	May-13	Point Change
<i>Total Explicit Core Search</i>	100.0%	100.0%	N/A
Google Sites	66.5%	66.7%	0.2
Microsoft Sites	17.3%	17.4%	0.1
Yahoo! Sites	12.0%	11.9%	-0.1
Ask Network	2.7%	2.7%	0.0
AOL, Inc.	1.5%	1.3%	-0.2

Google claims about two-thirds of the search engine market. However, most businesses allocate more than two-thirds of their budget to Google versus Bing. For example, at Hanapin, only 10% of client spend goes to Bing. For small businesses, this is about time management, not just budget – many businesses don't have time to effectively manage two different ad networks.

Adjust your Bing budget up or down if:



Bing/Yahoo		Google AdWords	
Raise if...	Lower if...	Raise if..	Lower if...
You're in an industry that Bing does well in (eg: Travel, Health, Entertainment, etc.)	You have a small budget (<2k)	You have a low impression share and your campaigns are doing OK	You want to diversify risk
Google is too competitive or too restrictive			

MOBILE VS. DESKTOP

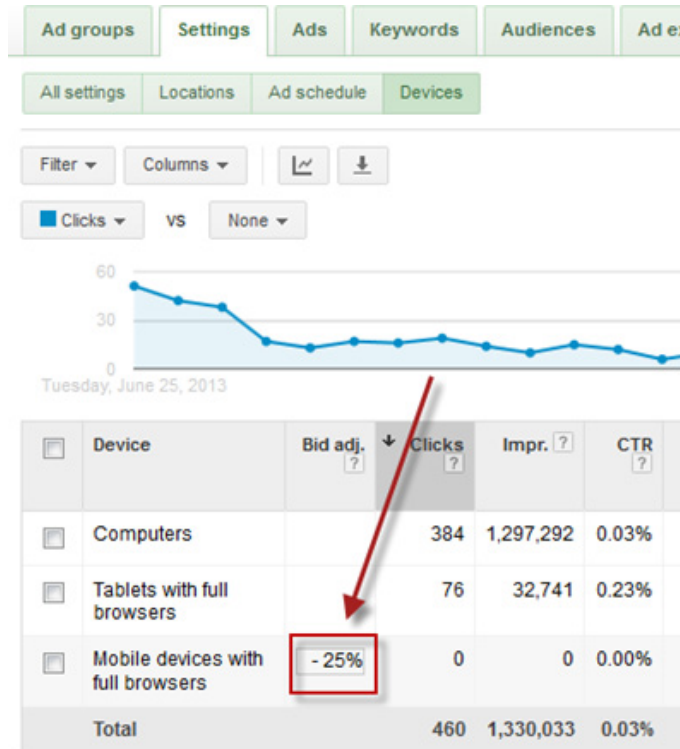
The mobile space is growing and changing rapidly – mobile local search will overtake desktop local search by 2015, if not sooner. It used to be difficult to manage both desktop and mobile campaigns, so many businesses were not taking advantage of the opportunity in mobile. But with Enhanced Campaigns, it's much easier – now you can target desktop and mobile traffic in the same campaigns, just by adjusting some settings.

Allocating budget to mobile vs. display is now more of a bidding issue. With bid modifiers, you can adjust bids for mobile traffic up or down, depending on whether mobile clicks are more or less valuable to you. Some things to consider when setting your mobile bid adjustments:

- Are you a local business?
- Do you have a call center?
- Do you sell to higher net worth demographics?
- What's the ROI of your mobile searches?

Google has introduced new features in [Enhanced Campaigns](#) that make measuring the ROI of mobile clicks much easier, including a mobile conversion type based on call duration.





HOW YOUR PPC BUDGET IMPACTS YOUR PPC MANAGEMENT MODEL

When it comes to PPC budget, size matters. You can make PPC work for you no matter what your budget is, but the size of your budget will definitely affect how you manage things. Let's take a look at two examples to help illustrate how your budget will determine whether you manage PPC in house or outsource to an agency.

Example 1: Lower PPC Budget

For our first example, let's assume a monthly PPC spend of \$2500 a month, or \$30,000 per year. This is not unusual for a small or medium-sized business. Does it make sense for a business like this to hire a dedicated PPC manager at a salary of roughly \$60,000 per year? Doing so would *triple* the company's PPC spend.

What about an agency? Agencies typically charge as a percentage of ad spend; a rate of 10% per month would be \$250 a month – honestly, no agency is going to take on a client for that low a rate. It's not worth it to them.

So at this spend level or lower, your options are to DIY it with AdWords alone or with the help of an affordable PPC management software setup.



EXAMPLE 2: HIGHER PPC BUDGET

Now let's assume your budget is more in the range of \$50,000 per month, or \$600,000 per year – an enterprise-level budget. Hiring a dedicated PPC manager at \$60K a year would amount to 10% of your PPC budget. An agency would charge a similar 10% fee. At these levels of spend, it makes perfect sense to hire in or outsource to an agency, because the additional expertise will probably net you benefits in performance greater than 10%.

Which of these scenarios applies to your business? For more help figuring out how to best manage your PPC budget, check out our buying guides: [“How to Choose a PPC Software Platform”](#) and [“Choosing a PPC Agency: How to Determine the Right Pay-Per-Click Marketing Agency for You.”](#)

ABOUT WORDSTREAM



[WordStream Inc.](#) provides search marketing software and services to small and medium-sized businesses that want better results from paid search. WordStream's easy-to-use PPC Advisor software facilitates more effective PPC campaigns by providing a customized workflow, the 20-Minute PPC Work Week, to help advertisers increase relevance across Google, Bing, and Yahoo and get expert-level results in a fraction of the time. Whether you're new to search marketing or are an experienced PPC manager, WordStream's PPC management software can provide the boost you need to grow your business and drive better results.

ABOUT HANAPIN MARKETING



[Hanapin Marketing](#) is a PPC management company that delivers comprehensive results and effective communication for medium to large-sized businesses. The birth of Hanapin Marketing came about after recognizing a tremendous need in the marketing industry for management services that continually strive for improvement, rather than maintaining the status quo. Essentially, we believe that the job isn't done until we see results that indicate significant growth.