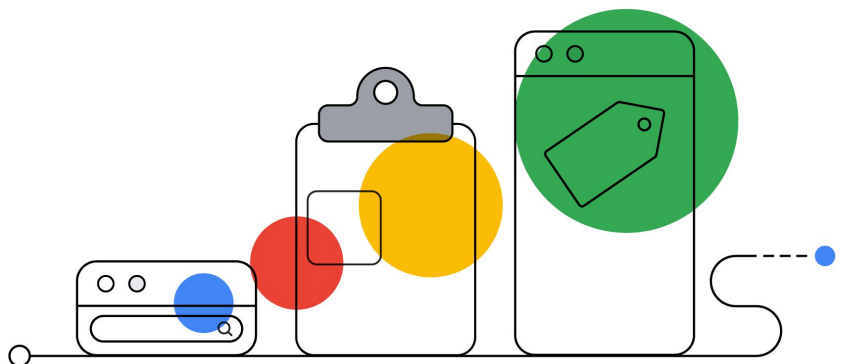


Value-based bidding transition guide

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- 1 Increase your profits by transitioning to value-based bidding strategies**
 - **Step 1:** Import conversion actions and values in the account.
 - **Step 2:** Update conversion actions in the Conversions column.
 - **Step 3:** Allow the account stabilize performance with the updated Conversions column.
 - **Step 4:** Make the switch to Target ROAS or MCV bidding.
 - **Step 5:** Monitor performance and adjust your targets to grow further.

- 2 Appendix**



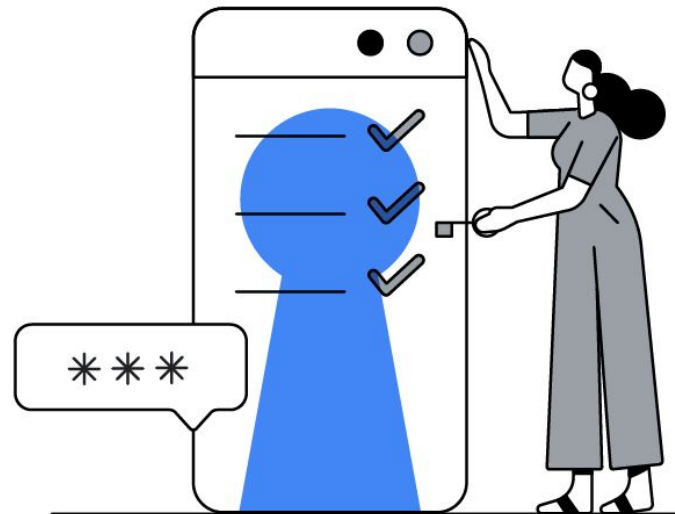
Value-based bidding (tROAS and MCV) practitioners guide:

In this guide, you will learn all of the required steps to successfully transition from cost-based Smart Bidding strategies (tCPA) to value-based bidding (tROAS or MCV) and ultimately drive more profit for your business.



Why value-based bidding?

Adding “value” to your advertising strategies will allow you to go beyond customer (or lead) acquisition costs, focusing on driving monetary return (value) in your account. Value-based bidding helps you capture the customers that matter the most (and generate most monetary value) for your business.



By using **offline conversion tracking paired with value-based bidding**, Qred was able to effectively optimize for their most-qualified customers and achieve a higher return on ad spend.

 **25%**
higher return on ad spend



“The algorithm puts potential customers with a high value in favour of those that, in the long run, will be less profitable to us.”

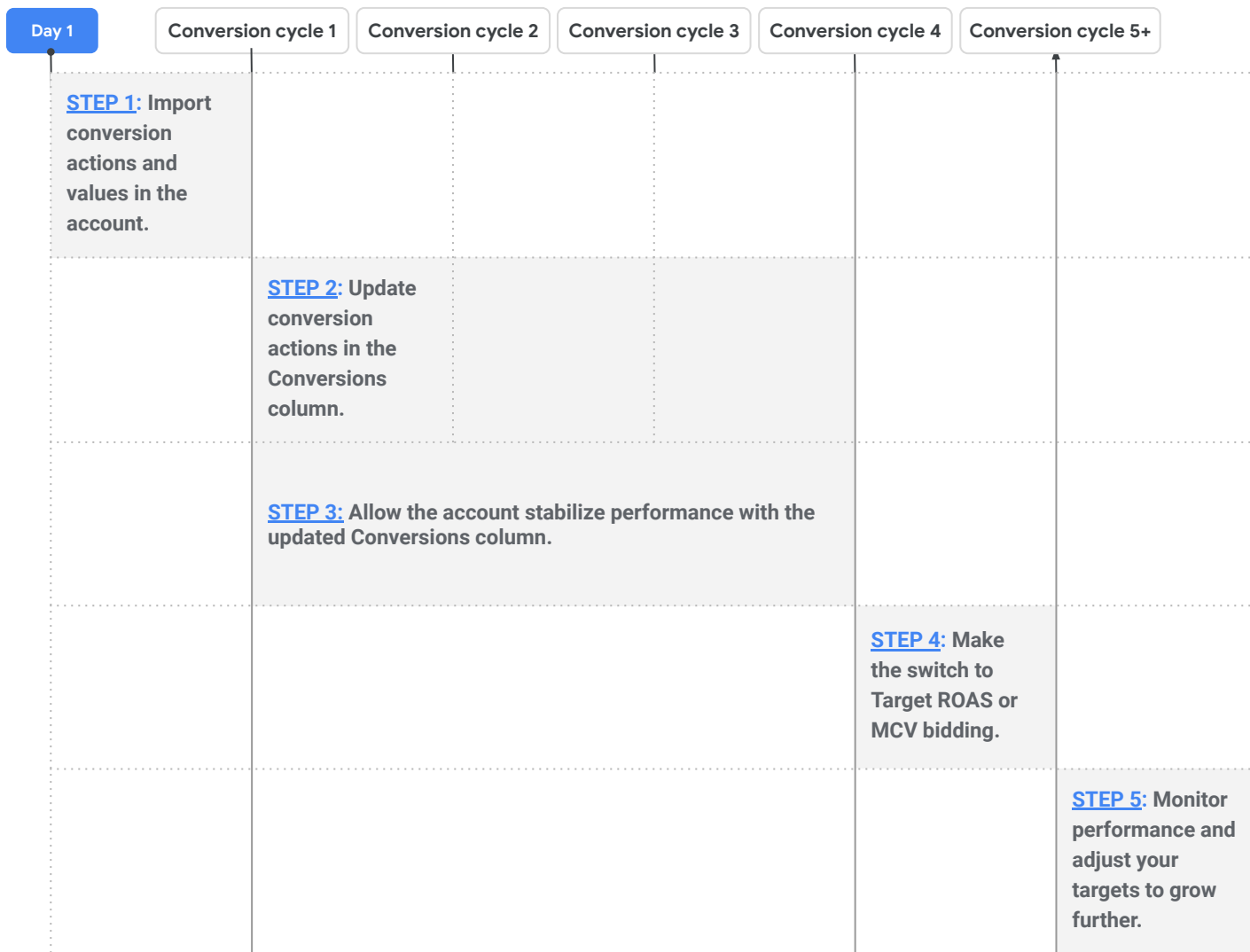
- Björn Söderqvist, Performance Marketer, Qred AB



Full case study [here](#).

The five steps of the transition process:


The expected timeline for the transition varies according to your business' [conversion cycle](#) (the average number of days between a prospective customer's ad click and the conversion event). Make sure to consider your business' conversion cycles when advancing through the implementation steps.





Learn more

Use [Zapier](#) to make the integration with Google Ads and automatically upload your conversions to your account.



Pro tip

Import offline conversions at least once a day with [automated uploads](#).

Step 1a: Import the right conversion action into the account

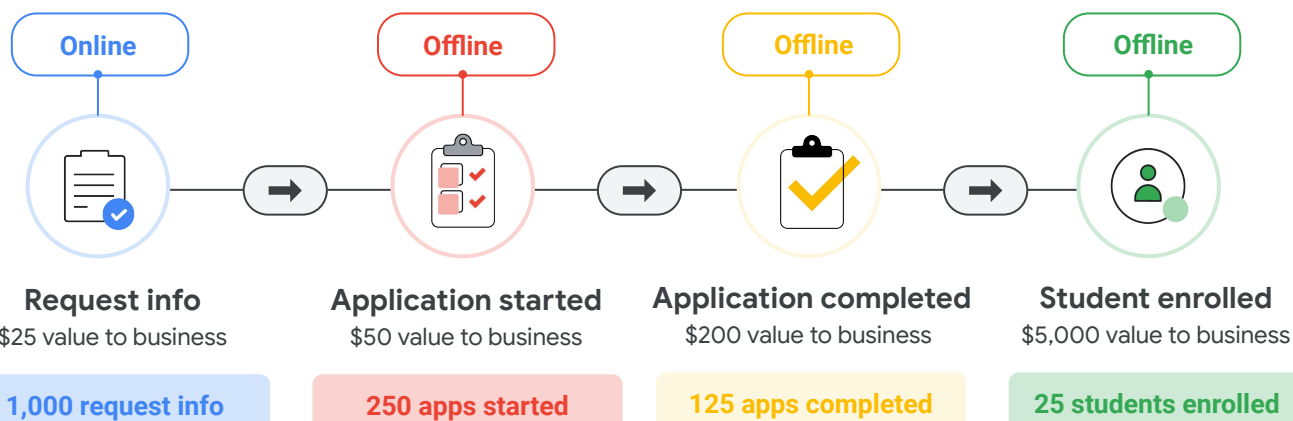
Ideally, import the final sale itself. If that is not possible, import the measurable actions closest to the sale itself. The goal is to align your measurement and optimization strategy with how your business operates to maximize return and propel growth. Here's what this looks like in practice:

If your final sale happens on average more than 90 days after the ad click (**conversion cycle > 90 days**) or there are **less than 15 conversions in the last 30 days**, this conversion action becomes ineligible for value-based bidding. In those cases, consider the following rules to select the best conversion action:


1 **Closer/more accurate** conversion actions to the **final sale** will help Smart Bidding optimize towards your business objectives better.


2 **The higher volume of conversions per month, the better.** This allows the system to learn more quickly. It is recommended that you choose conversion actions that have more than 50 conversions each month in the account.

Consider an education institution's process of capturing users and eventually enrolling a student. You can see that after the first online conversion, **Request info**, there are 2 more conversion actions that happen offline before the final sale. Let's assume they are getting the following amount of conversions per month:



In this case, the advertiser should choose to optimize towards both **applications completed** (as it gets more than 50 conversions a month) and **students enrolled** (to factor in the monetized conversion action).

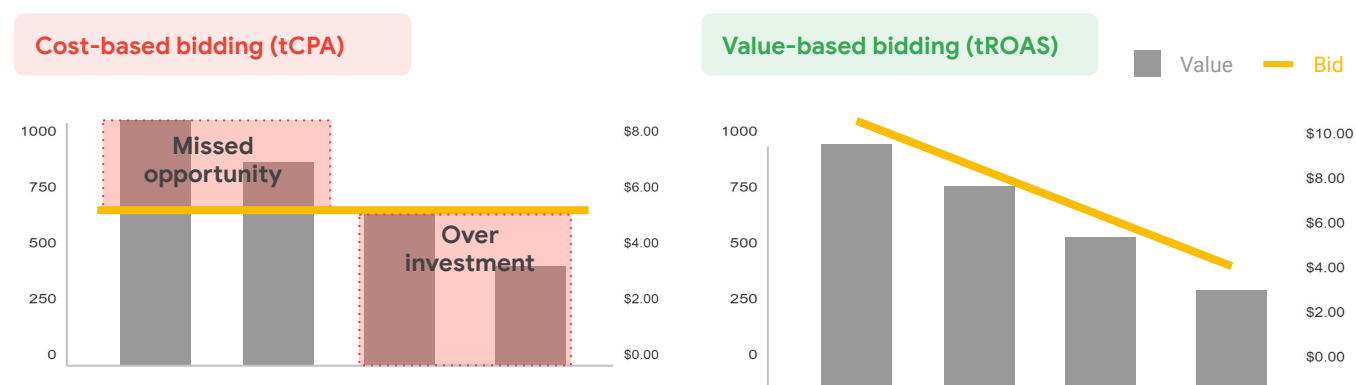
 **Note:** Do not add your new offline conversions to the Conversions column at this time. You'll add the conversion actions to the Conversions column once data has been validated (Step 2).

 If you are not sure about which actions to import into your account, please read the attached [lead-to-sale guide](#) at the appendix.

Step 1b: Assign value to your conversion actions

In addition to choosing the right conversion action, you should also select a dollar value for all conversions (including the existing conversion actions), to better reflect how much that conversion is worth to your business.

With **conversion value** available within the account, you can enable value-based bidding strategies. These strategies will help you reduce bids for low-value interactions while increasing your competitiveness in auctions with high potential customers, efficiently driving high quality leads for your business.



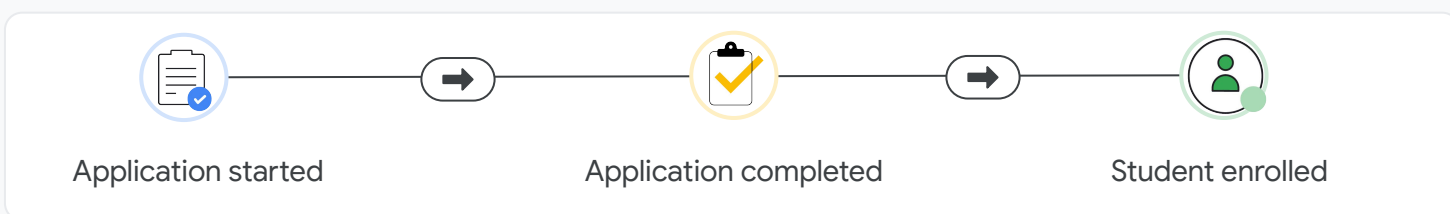
What about conversions with dynamic values? If there are different values for each unique conversion, try to pass back final conversion value dynamically from your CRM, this helps the accuracy of Smart Bidding to meet return on investment targets.

What about conversion actions without direct monetary return? Ideally, use a predictive forecasting model for the economic value of your non-monetizing conversion actions. Economic value represents your best estimate of how much money the conversion will create for your business. If a predictive model is not available, chat with your Google team or follow the 'pro tip' below to apply a conversion value model across your account.

Pro tip

How to calculate expected conversion economic value for actions without direct monetary return:

Consider the same education institution's process of capturing users and eventually enrolling a student, then make the calculation based on your own business lead-to-sale journey.



1. Map the average value of your final sale or cLTV:

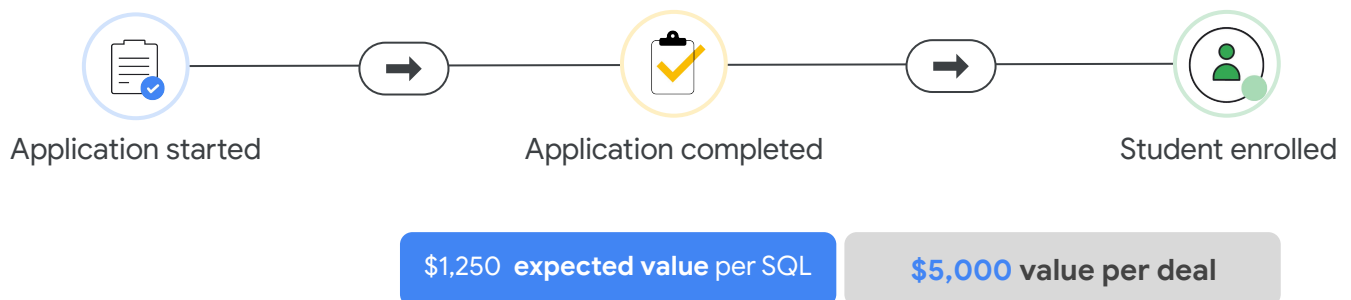
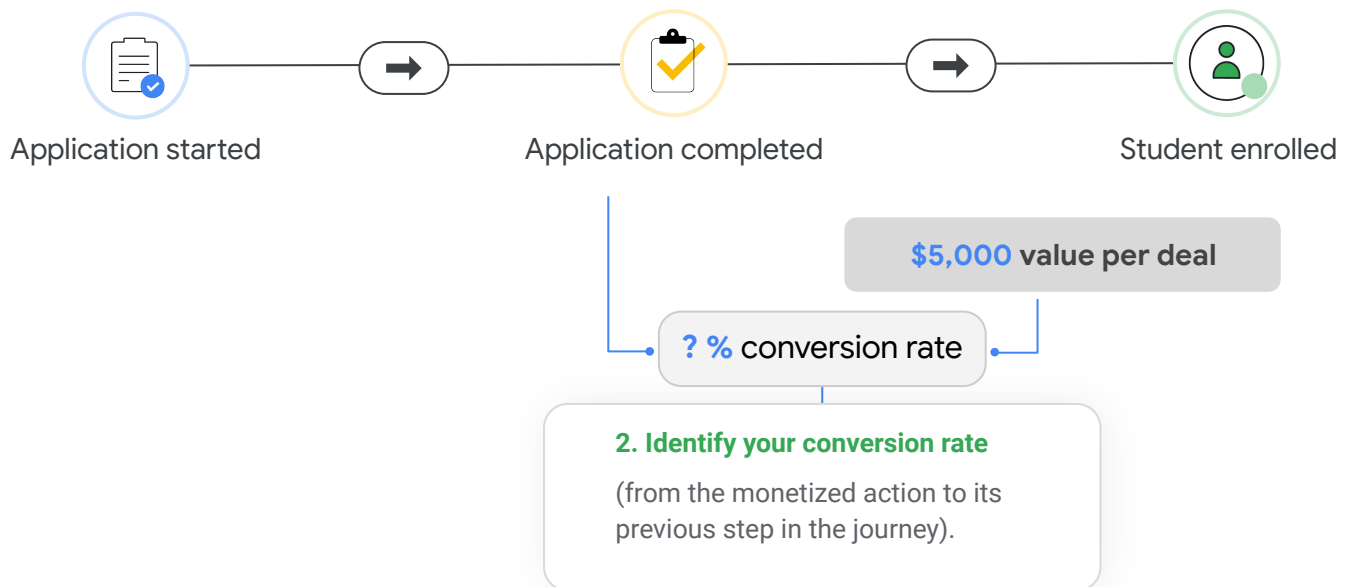
Depending on your business, it can be either the value for each final sale or the expected customer lifetime value (cLTV).

[Learn more](#)Follow [this guide](#) to import values across your conversions within the account.

Step 1b: (continuation) Assign values to your conversion actions

Pro tip

How to calculate conversion value across all of your conversion actions:



3. Calculate the expected Value:

Retroactively multiply your final sale or LTV by your conversion rate and you'll get the expected value for the event that precedes the final conversion action.

\$1,250

(expected value for each SQL)

=

\$5,000

(value of each closed deal)

×

25%

(conversion rate)

Step 2: Update conversion actions in the Conversions column

 Don't forget!

Before adding updating conversions and conversion values in the Conversions column, wait a full conversion cycle and make the following assessment:

1. Is the new conversion action being tracked properly?

2. Are the conversion values being assigned properly across all conversion actions within the account?



Once all new conversions and conversion values are confirmed to work, update your Conversions column with the updated conversion data.

Add the new conversion actions and values into your Conversions column (click [here](#) to learn how). This will allow the conversion value performance to build history for the updated conversion actions before rolling out value-based Smart Bidding, while at the same time optimizing towards both the current and new conversion actions with Target CPA with reduced fluctuations.



Implementation rules:

1. Add the new conversion actions without removing the current conversion actions from the Conversions column. If you're only updating conversion value on existing conversions, ignore this step

2. Keep existing Smart Bidding strategies and CPA targets unchanged. This will help mitigate any short-term performance fluctuation (see step 3 for more information).

 Pro tip

Additional recommendations to further mitigate short-term performance fluctuations:



1. Budget control:

a. Adjust budgets to be in-line with the real historical spend in order to mitigate spend fluctuations.

b. Alternatively, you can also switch from tCPA to [Maximize conversions](#) in order to ensure consistent spend (e.g. no overspending or underspending).



2. Performance control:

a. Minimize other campaign changes (e.g. keywords, ads creative, URLs) during this period across all campaigns with Smart Bidding enabled.

b. Ensure values are being passed across the entire account, even if only planning to test a few campaigns with value-based bidding. [Campaign-level conversion settings](#) are not recommended for value-based bidding.

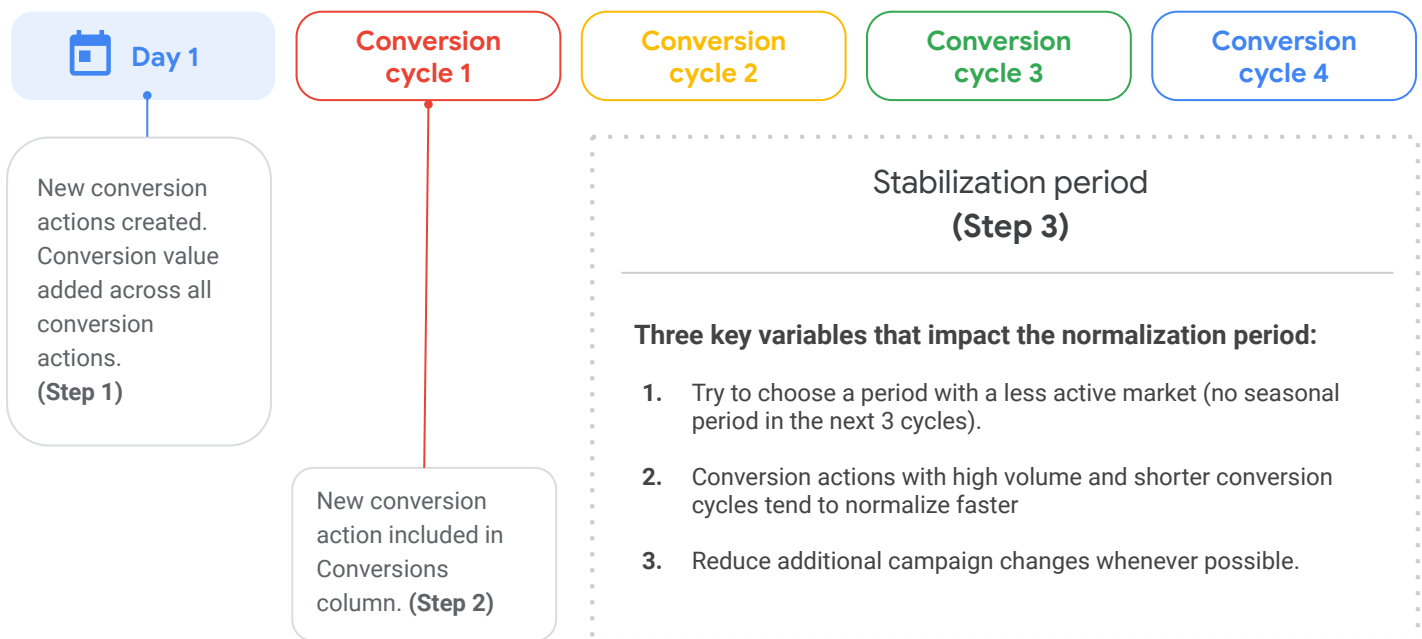
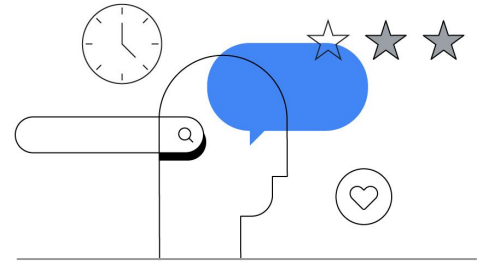
Step 3: Allow the account to stabilize performance with the updated Conversions column

When making any changes to your campaigns, such as changing your conversion mix, your campaigns will likely experience performance fluctuations which should gradually subside as the algorithm adjusts to your new settings. Allow performance to stabilize, and conversion value data to build for **2 or 3 conversion cycles**.



Stabilization timelines:

The expected timeline for the transition varies according to your business' **conversion cycle** (the average number of days between a prospective customer's ad click and the conversion event).



Don't forget!

Before proceeding to the next step make sure that:

1. Current CPA is similar to the historic performance (up to 20% higher/lower than historic performance), make sure you're accounting for a full conversion cycle if any new conversion action was added when conducting this analysis.
2. At least two full conversion cycles have passed since the new conversion was added to the Conversions column.
3. Budget spend is at a similar level when compared to historical campaign spend.

Step 4: Make the switch to Target ROAS bidding

After the stabilization period, you're ready to make the shift towards value-based bidding with [Target ROAS bidding](#) (tROAS) or [Maximize conversion value](#) (MCV). **Note: tROAS requires 15 conversions at the campaign level to be activated.**

1

Campaign selection:

Choose campaigns with relative high conversion volume and stable performance when first starting with tROAS or MCV bidding. Avoid setting it initially on campaigns with [campaign-level conversion settings](#).

✓ Pro tip



A/B testing: tROAS is compatible with [campaign drafts and experiments](#) (if you're not using [campaign-level conversion settings](#) or [shared budgets](#)).

a. Make sure that the only change in the drafted experiment campaign is the bidding strategy itself (keep the control campaign bidding strategy unchanged).

b. Set your experimental split to 50% of the original budget, to ensure fair traffic distribution between the control and test campaigns.

c. Set start and end dates that cover at least three full conversion cycles, to account for likely normalization periods with the tROAS test.

2

Setting up your initial return-on-ad-spend targets (tROAS only)

tROAS allows you to set a return-on-ad-spend target for your campaign (See the example below).

$\$5 \text{ in campaign conversion value} \div \$1 \text{ in campaign ad spend} = 500\% \text{ target ROAS}$

Start off by **setting your tROAS based on historical performance**. You can find your historical performance via the "Conv. value/cost" column. Make sure you've selected a period that starts *after* the conversion value started to be imported, the period must be longer than a full conversion cycle.

✓ Pro tip



System recommendations:

Check the "recommendations" tab in Google Ads for possible tROAS initial targets if you're not comfortable starting with the historical performance.



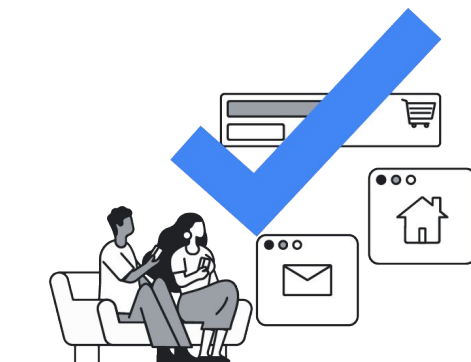
Maintain campaign spend:

You can opt into [Maximize conversion value](#) bidding instead of tROAS during this step if you want to prioritize budget utilization instead of a set return-on-ad-spend target.

Step 5: Monitor performance and adjust your targets to grow further

Now that you've implemented your value-based bidding strategy, here is what you should keep in mind:

- Ensure campaign budgets are not capped when using tROAS.
- Check in after each full conversion cycle to see progress, and adjust targets and budgets to allow headroom for growth.
- Gradually reduce the values of the upper funnel conversions to slowly de-prioritize them from Target ROAS bidding (e.g. reduce value of online form fills to focus bids towards offline sales).



Pro tip

- Check the Recommendations page for ongoing budget optimizations that can be applied in just 1 click!
- You have the flexibility to choose which budget increase is better aligned with your business goals.

Raise your budgets +3.2%

Your ads stopped running on your busiest days. Fixing your limited budget can help.

Recommended because you missed out on 5% or more of your potential traffic last week

Conversions
+7.1

+\$0.11 Cost / conv.
+\$0.13 Cost

Weekly estimates

[VIEW RECOMMENDATION](#) [APPLY](#)

Capture more valuable customers by increasing your auction coverage:

Create Dynamic Search Ads +4.8%

Show your ads on searches relevant to your business that you may be missing with your keyword-based ad groups

Recommended because you can drive additional traffic with Dynamic Search Ads that include the suggested landing pages

[VIEW 141 RECOMMENDATIONS](#)

Add new keywords +3.2%

Show your ads more often to people searching for what your business offers

Recommended because you're not targeting searches that could be relevant to your business

[shirts for boys]
[kids tshirts]
[kids shirts]

"toddler t shirts"
[Happy bunny t shirts]

[VIEW 5 RECOMMENDATIONS](#) [APPLY ALL](#)

- Increase **campaign budgets** wherever returns are profitable and performance is limited by budget.
- Change **keyword match type** to maximize relevant coverage.
- Create **Dynamic Search Ads** to expand rapidly.
- Add **new keywords** to expand keyword coverage.

Keep in mind: When making any changes to your campaigns, such as transitioning to new bidding strategies, setting new targets and/or changing your conversions, your campaigns will likely experience performance fluctuations which should subside as the algorithm adjusts to your new settings.

Appendix

1

Lead-to-Sale Journey

- What is the lead-to-sale journey?
- The importance of integrating customer data
- Calculating conversion value
- Templates by industry
- Take action

2

How to import conversion value data



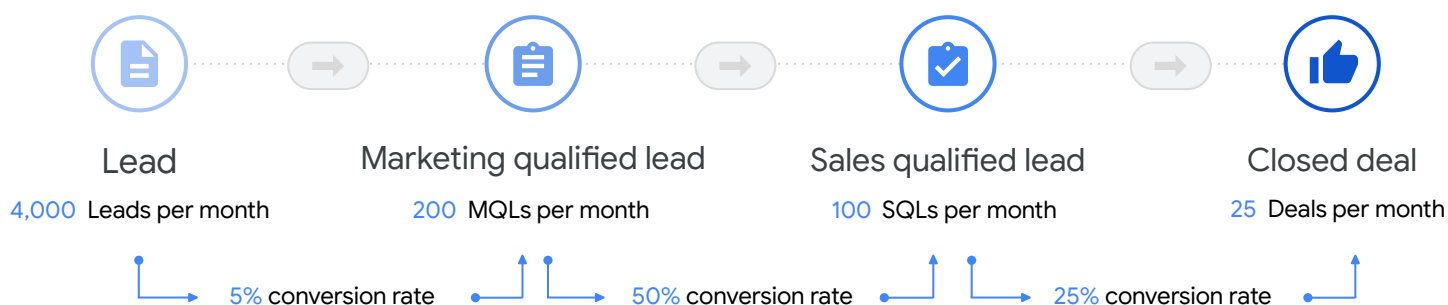
1 The lead-to-sale journey



What is the lead-to-sale journey?

The lead-to-sale journey represents all of the **events** that gradually process and qualify inbound leads into a paying customer.

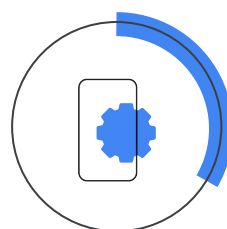
The number of events, sales conversion rates and timelines for the journey **varies per business**.



Integrating the lead-to-sale journey drives...



+20%
incremental revenue

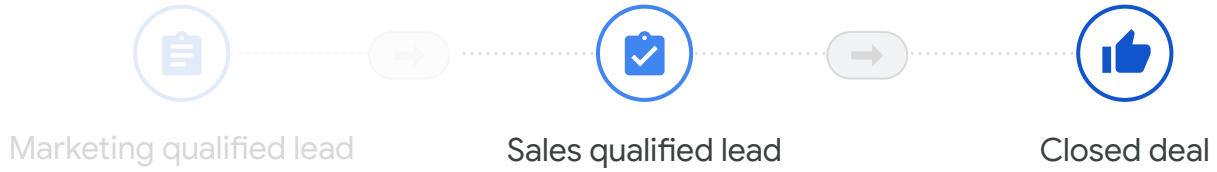


+30%
cost efficiency

When integrating strategies with **customer data** across the whole lead journey.



Calculating conversion value

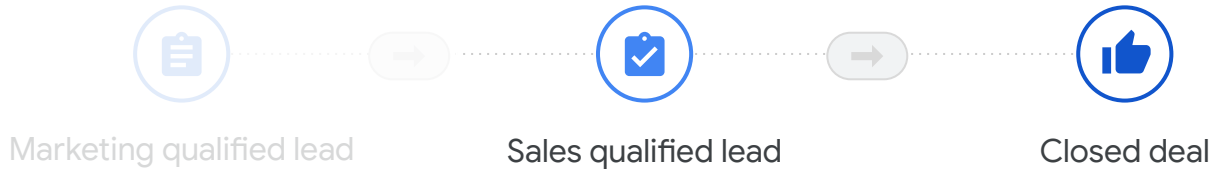


1

Map the average value of your final sale or cLTV:

Depending on your business, it can be either the value for each final sale or the expected customer lifetime value (cLTV).

\$3,200 Value per Deal

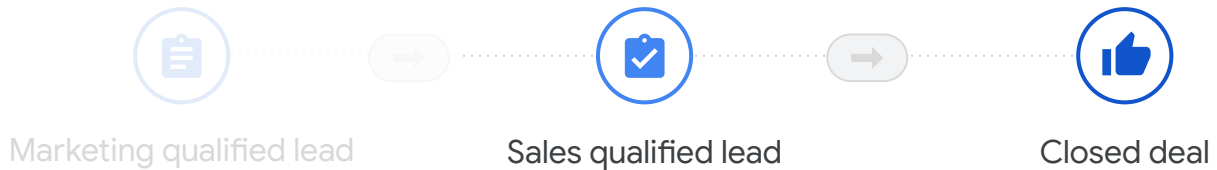


2

Identify your conversion rate (SQL to Sales)

? % conversion rate

\$3,200 Value per Deal



\$800 expected value per SQL

\$3,200 Value per Deal

\$800

(expected value for each SQL)

=

\$3,200

(value of each closed deal)

25%

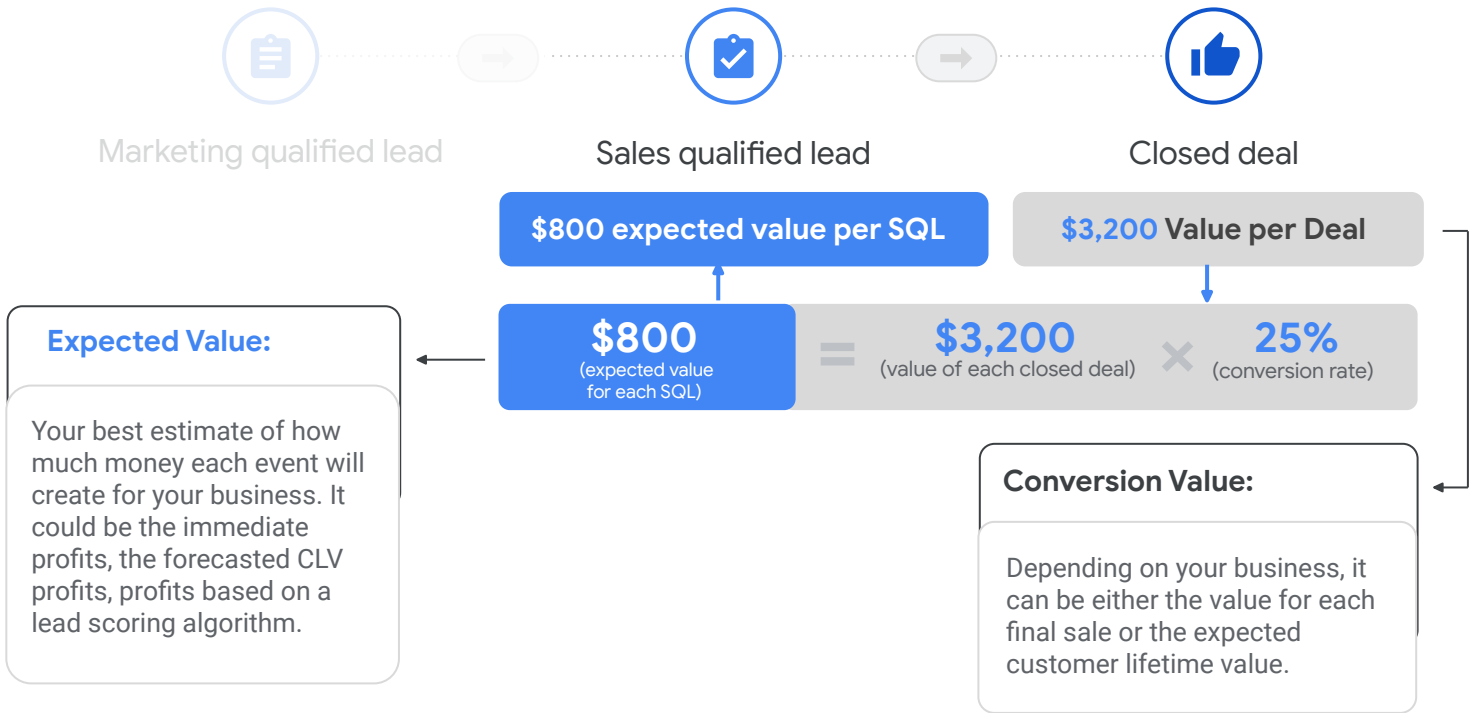
(conversion rate)

3

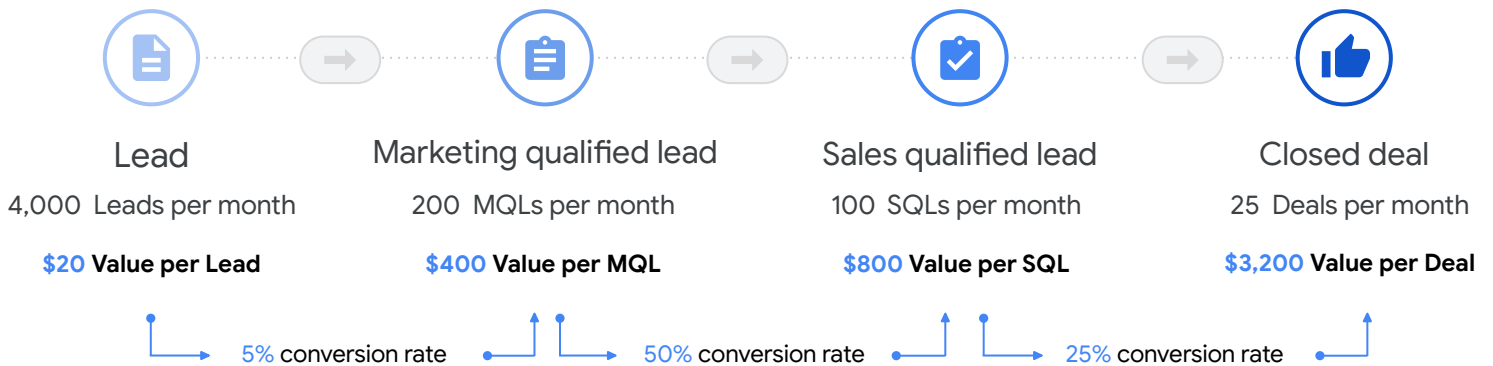
Calculate the expected Value

Retroactively multiply your final sale or LTV by your conversion rate and you'll get the expected value for the event that precedes the final conversion action.

LEAD GENERATION: VALUE-BASED BIDDING TRANSITION GUIDE



The lead-to-sale journey (with values)





Templates by industry

Education

Travel

Car Sales

Finance

Real Estate

Healthcare

B2B Software

Mortgages

Law firms

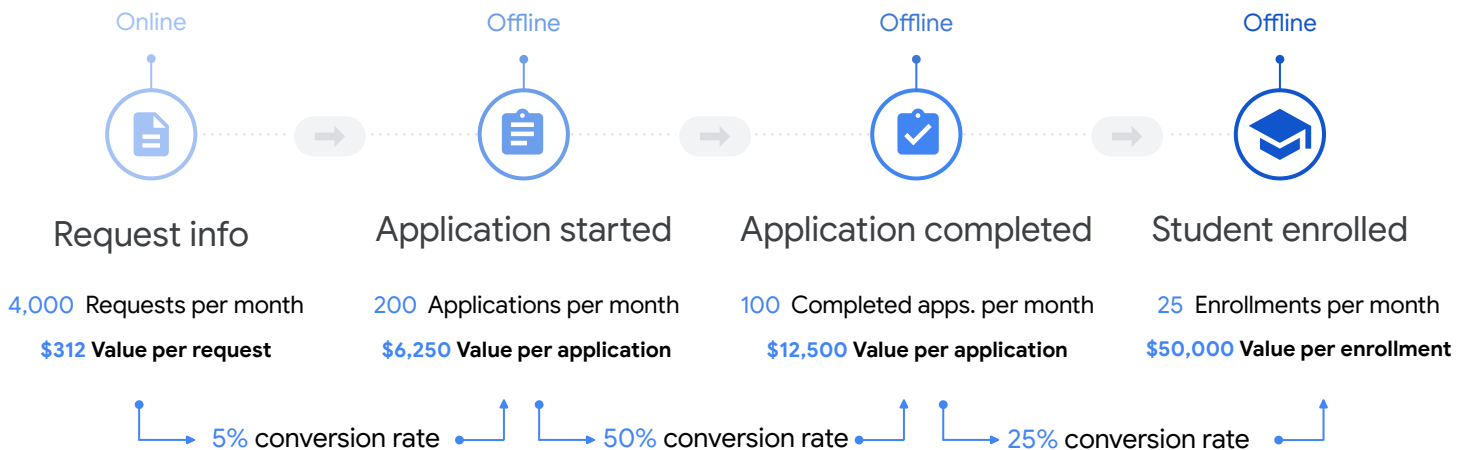
Job Recruiting

Insurance

Loans

Education

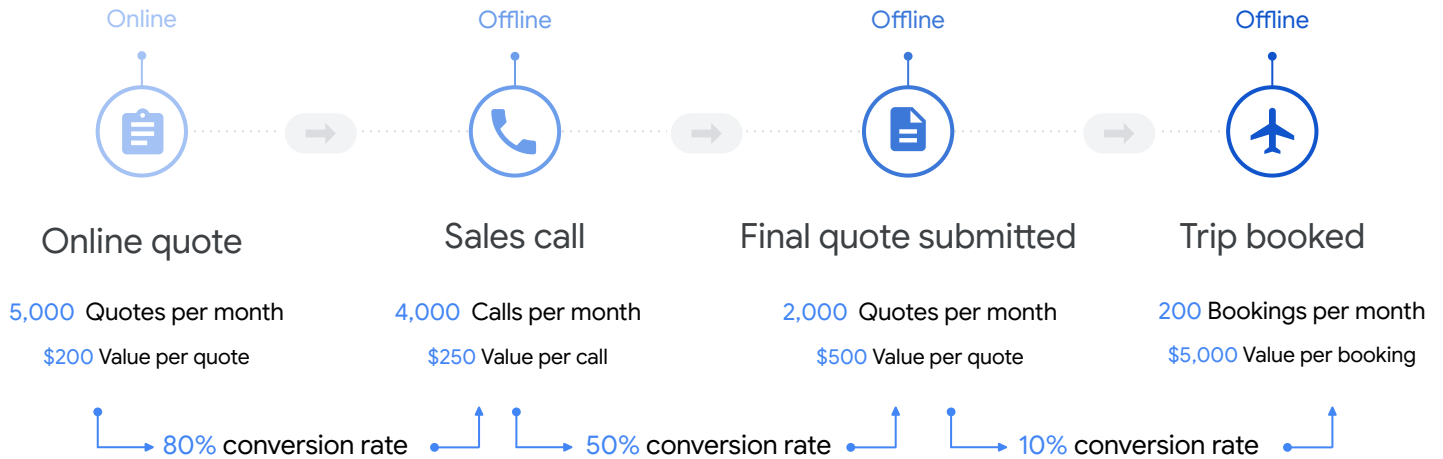
Numbers in **blue** are examples: customize the journey (event volume, value and # of events) based on your own business data.



LEAD GENERATION: VALUE-BASED BIDDING TRANSITION GUIDE

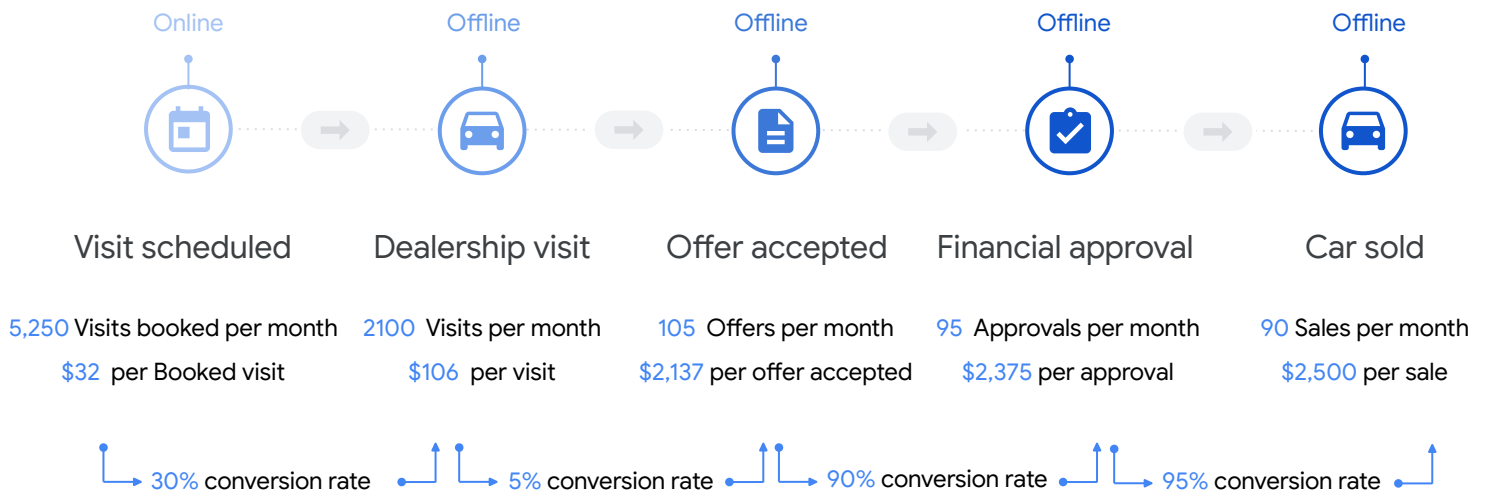
Travel

Numbers in blue are examples: customize the journey (event volume, value and # of events) based on your own business data.



Car Sales

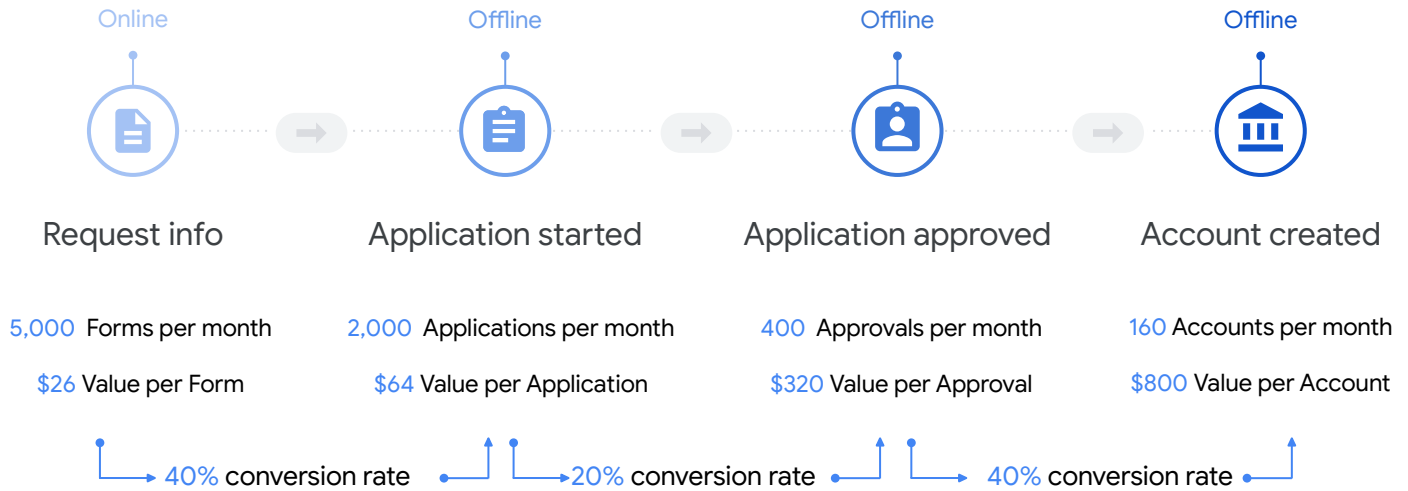
Numbers in blue are examples: customize the journey (event volume, value and # of events) based on your own business data.



LEAD GENERATION: VALUE-BASED BIDDING TRANSITION GUIDE

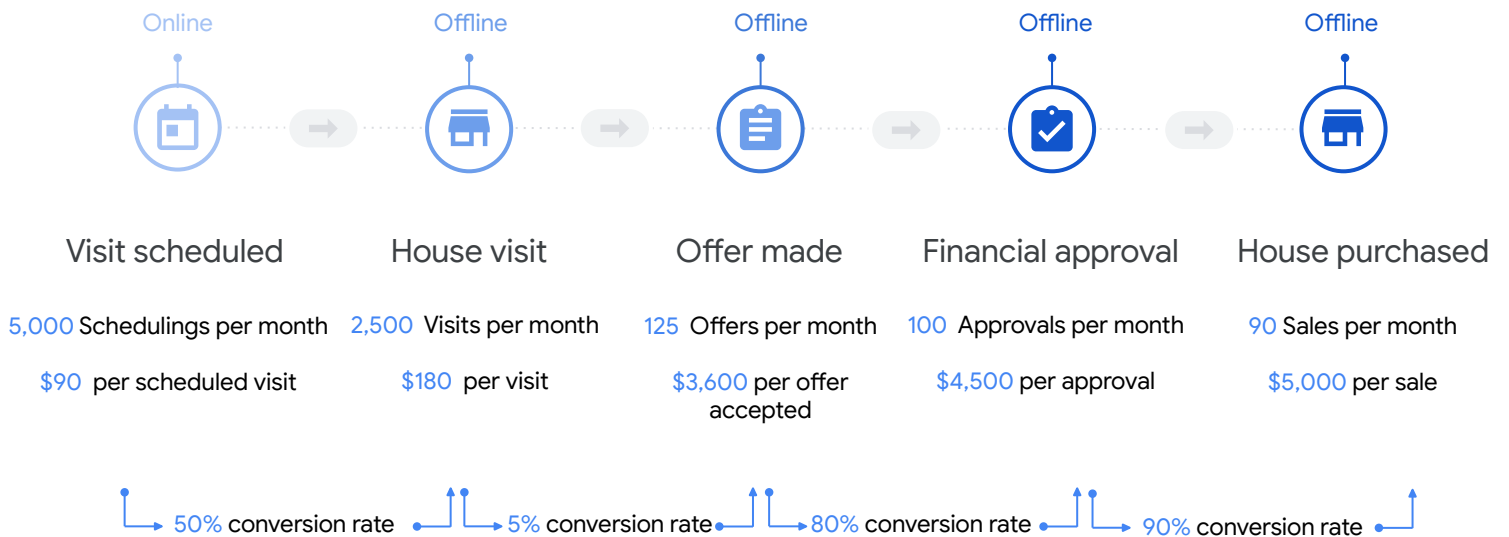
Finance

Numbers in blue are examples: customize the journey (event volume, value and # of events) based on your own business data.



Real Estate

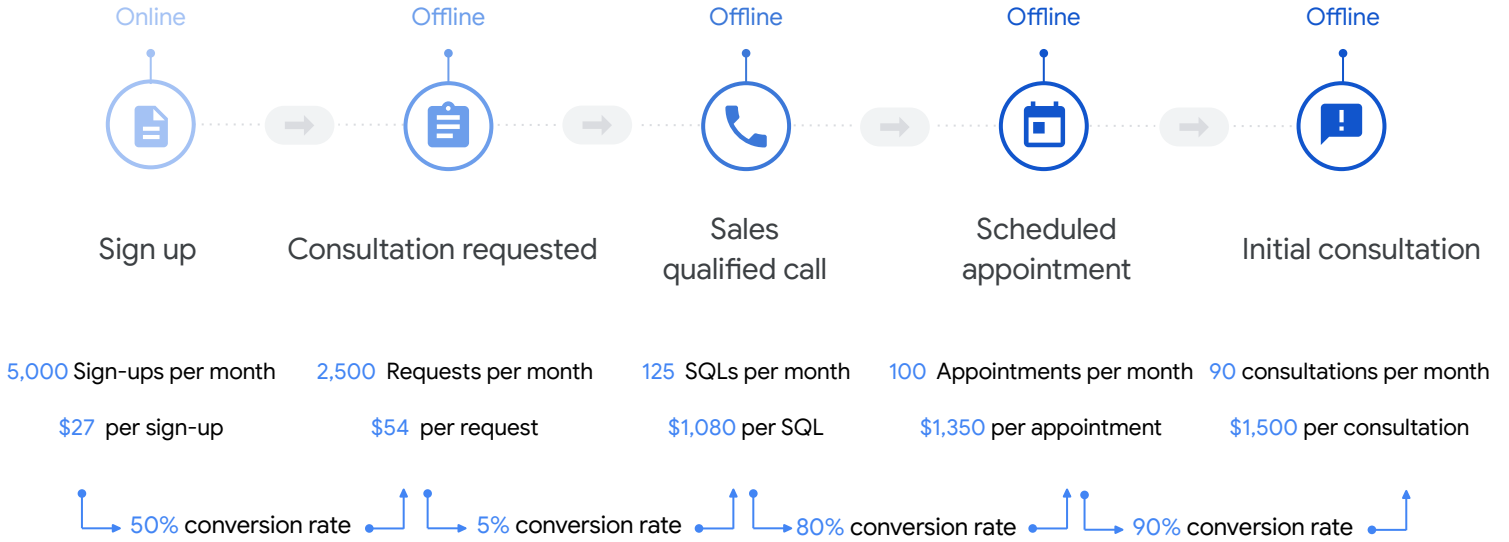
Numbers in blue are examples: customize the journey (event volume, value and # of events) based on your own business data.




LEAD GENERATION: VALUE-BASED BIDDING TRANSITION GUIDE

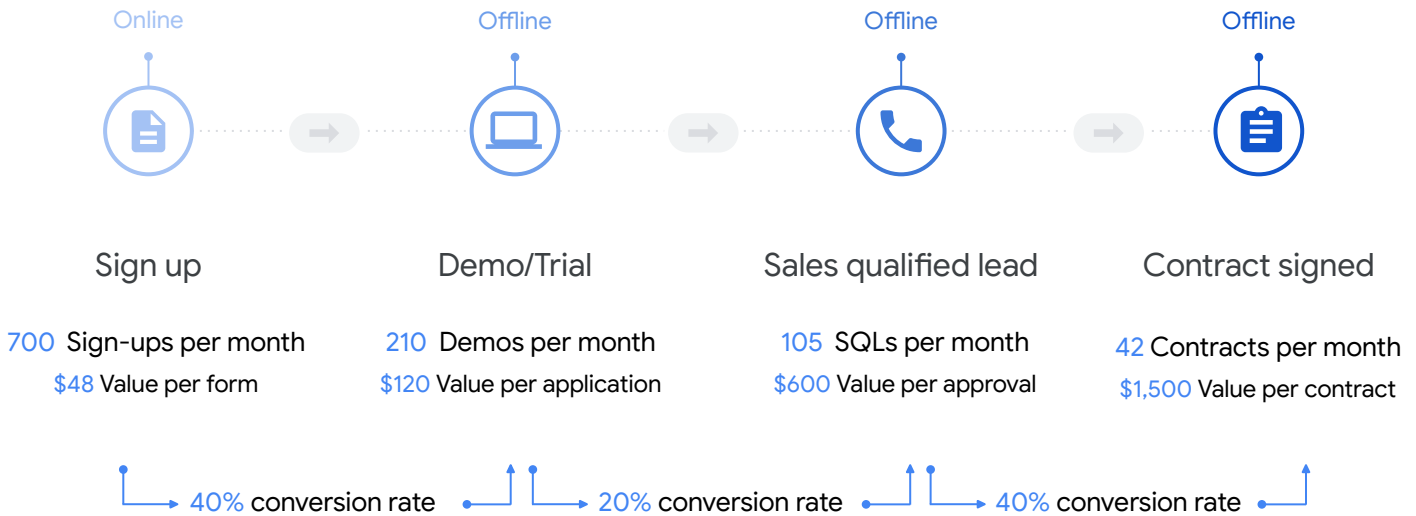
 Healthcare

Numbers in blue are examples: customize the journey (event volume, value and # of events) based on your own business data.



 B2B Software

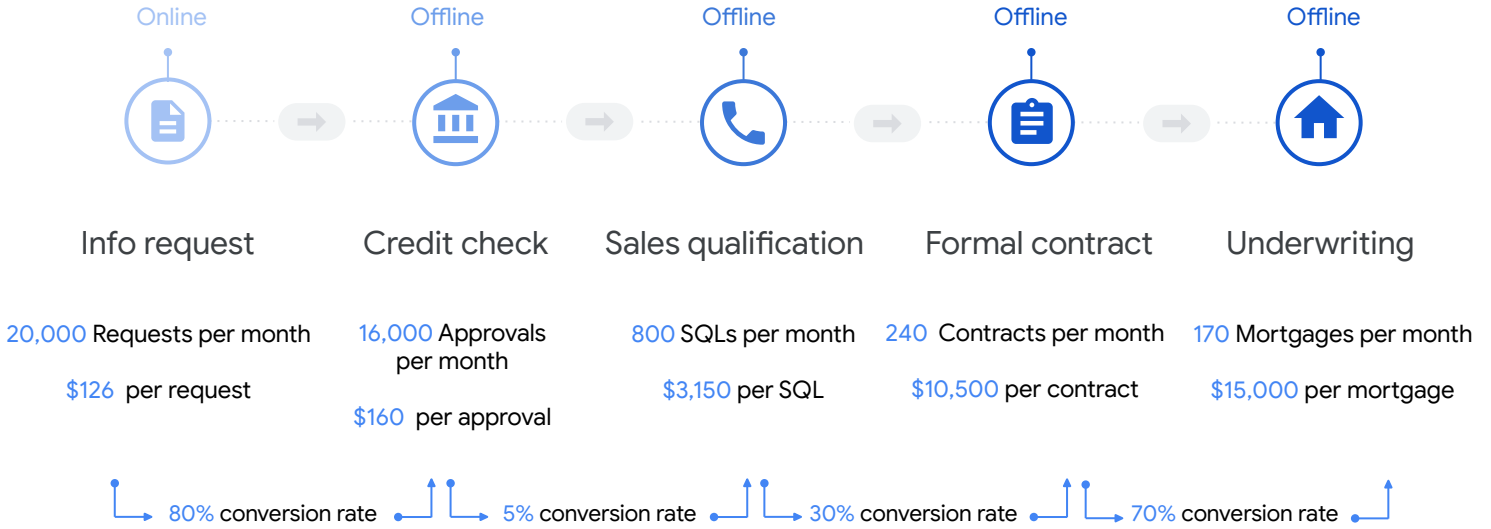
Numbers in blue are examples: customize the journey (event volume, value and # of events) based on your own business data.




LEAD GENERATION: VALUE-BASED BIDDING TRANSITION GUIDE

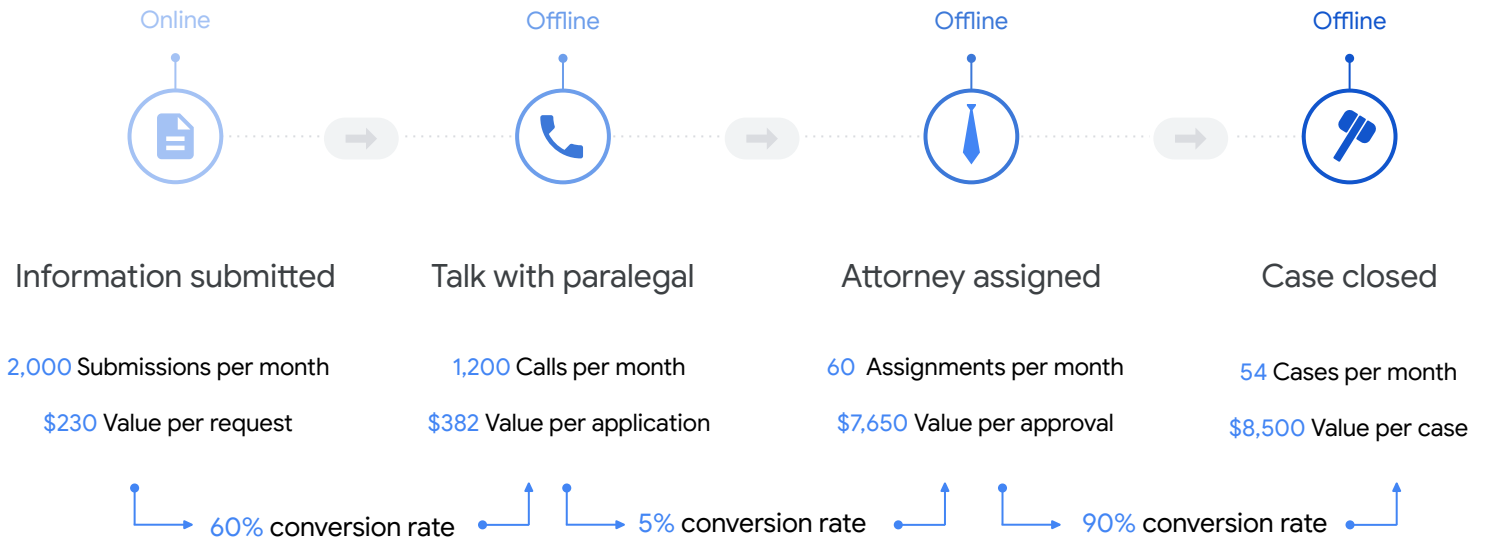
 **Mortgages**

Numbers in blue are examples: customize the journey (event volume, value and # of events) based on your own business data.



 **Law firms**

Numbers in blue are examples: customize the journey (event volume, value and # of events) based on your own business data.

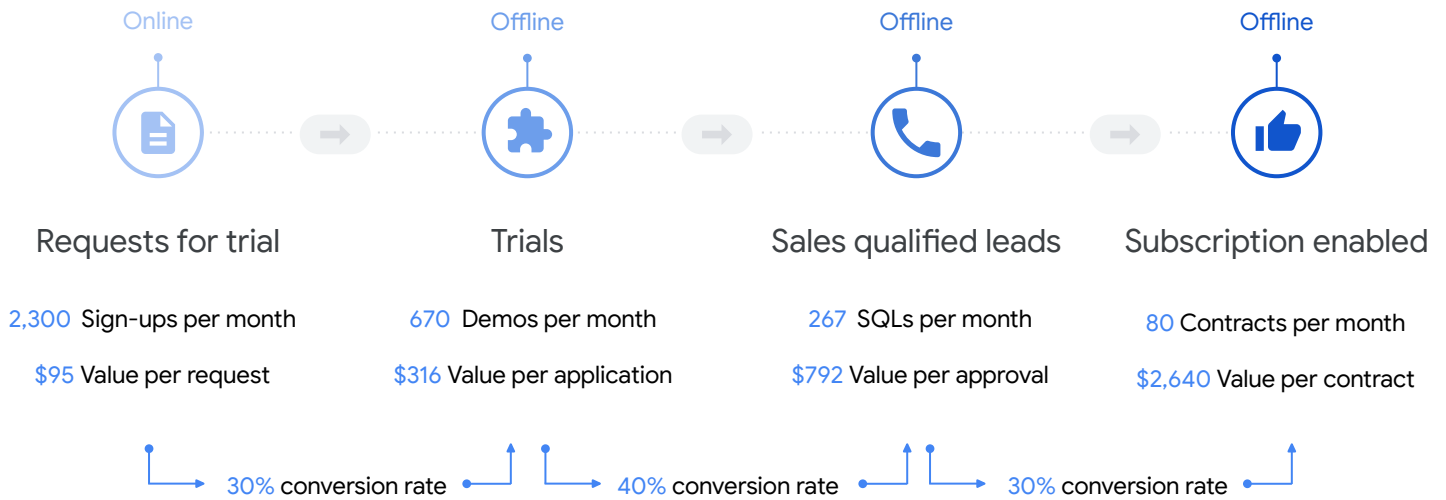


LEAD GENERATION: VALUE-BASED BIDDING TRANSITION GUIDE



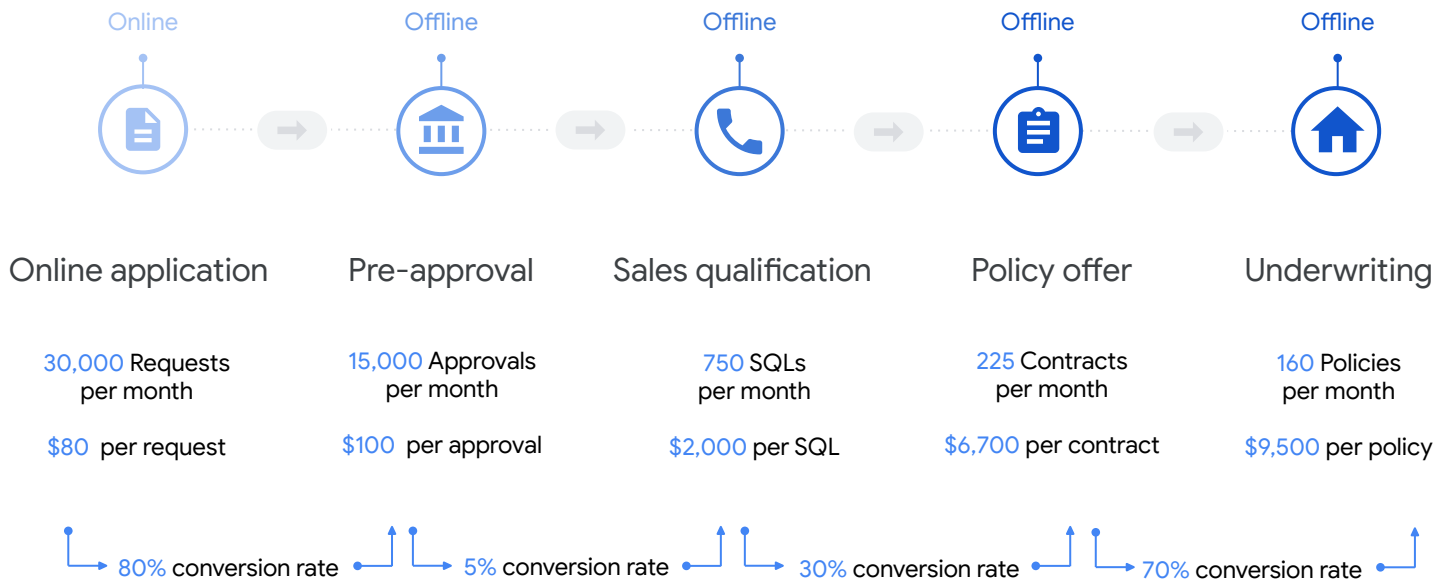
Job Recruiting

Numbers in blue are examples: customize the journey (event volume, value and # of events) based on your own business data.



Insurance

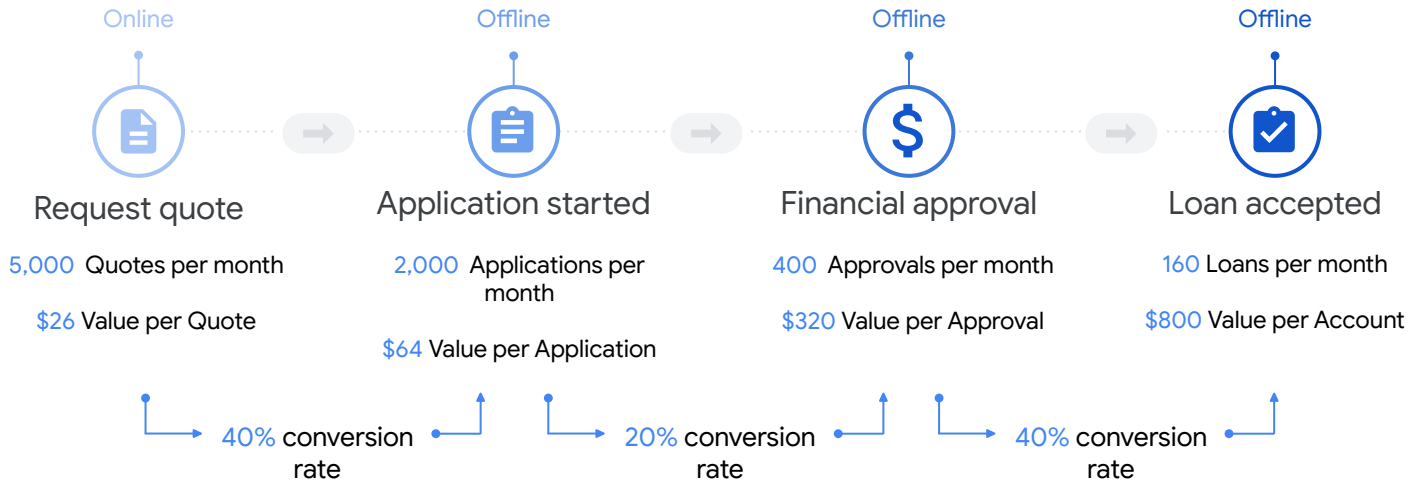
Numbers in blue are examples: customize the journey (event volume, value and # of events) based on your own business data.



LEAD GENERATION: VALUE-BASED BIDDING TRANSITION GUIDE

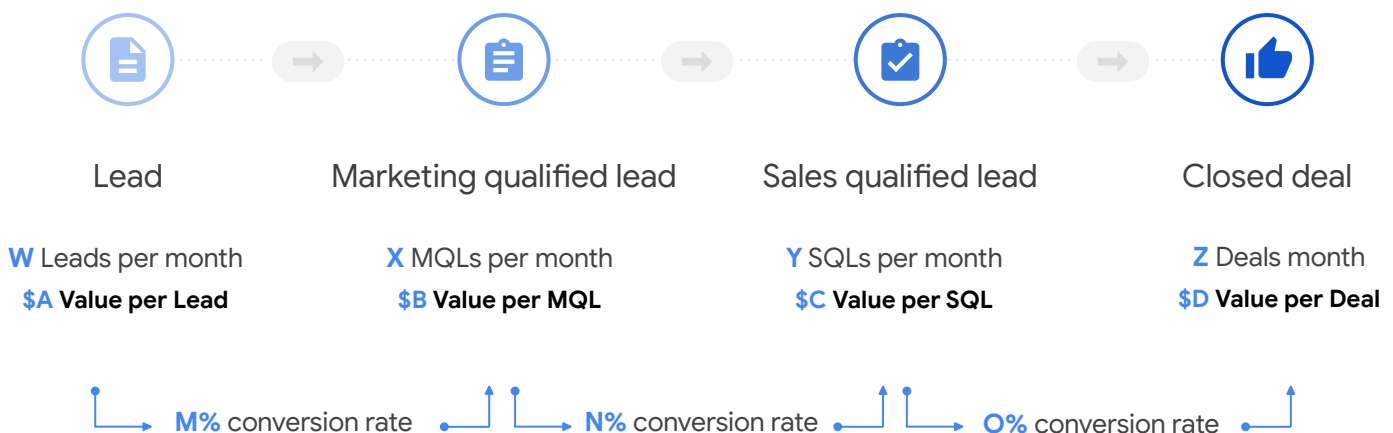
\$ Loans

Numbers in blue are examples: customize the journey (event volume, value and # of events) based on your own business data.



Take Action

Make a copy of the template that best represents your business, adapt it and share it with your Google team.



Make sure to adapt all fields in blue to values that reflect your business performance

2 How to import conversion value data



To import the conversion value into Google Ads, you should use the field “value” in offline conversion tracking:

1. Click into **Tools and Settings**, and then into **Conversions**
2. Select the **Conversion event** you would like to add a value for
3. Click the blue **Edit Settings** button to change the settings for this specific tracking snippet
4. Input the value of the conversion into this box:
 - a. If you’re importing offline conversion values, this should be the true dollar value of this conversion.
 - b. If you’re not importing offline conversion values, this should be the relative value of this conversion to your final sale.
5. Click Save.

Thank You

