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Turning Complexity Into Opportunity:

Seven Factors to Consider When Choosing a Search Bid Optimization Platform

A White Paper for Large-Scale Search Marketers and Agencies

Contents

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Amidst a continually changing and increasingly complex digital landscape, search marketers, more than ever, are turning to search management platforms to streamline workflows and deploy high-impact campaigns. This paper gives an overview of the search bid optimization process and its benefits, and then discusses seven key factors that marketers should consider when evaluating different search bid optimization engines.

The increasingly complex search marketing landscape

In its early days, search marketing was relatively simple: all campaigns were aimed at the desktop, and search marketing offerings were basic. As technology evolved and search matured as a medium, however, new opportunities rapidly became available. Today's campaigns run on desktop, mobile, and tablet devices, with a multitude of new ad formats and targeting options to connect with users in even more relevant ways.

All this, against a backdrop where the overall scale of search continues to expand. Since 2003, 450 billion unique queries have been answered by Google alone.[1] Further, 16% of these searches seen by Google each day are new,[1] meaning marketers must constantly refine and expand their keyword lists. Today, the average large-advertiser account has close to 100,000 keywords,[1] while some of the largest advertisers are managing keywords in the millions.

For a search marketer, these new opportunities translate to more complexity, more tools to choose from, and more campaigns to manage than ever before. Yet the goal marketers are looking to achieve is largely the same: to run high-impact campaigns that deliver strong business results for minimal time and effort. At the core, this means mapping the right keyword to the right ad linked to the right landing page to deliver the best possible results at the lowest possible cost—and do it all effectively as part of their broader digital marketing efforts.

But human staff trying to use manual methods for bid optimization are quickly overwhelmed: manually navigating the complex permutations needed to find optimal bids across thousands of keywords is nearly impossible. This is where bid optimization platforms can play a critical role.

The critical role of automated bid optimization

The scale of today's search marketing demands an automated platform with powerful bid optimization that can analyze massive amounts of data across millions of keywords, and generate smart bids that maximize results—all in the blink of an eye.

[1] Google internal data, 2012

Search optimization platforms can turn this complexity into opportunity. Ideally, these platforms provide a suite of functions that help search marketers take advantage of new opportunities and, at the same time, streamline their operations. One of these vital functions is automated search bid optimization: determining the right keyword bids based on a marketer's defined goals, keyword data, and numerous external signals, at scale across millions of keywords every day.

Automated bid optimization is pivotal to managing today's SEM campaigns at scale—it's the engine that drives campaign performance. With a bid optimization tool, search marketers and agencies can:

- Meet specific business goals
- Increase return on investment (ROI) on search campaigns
- Save time managing campaigns, keywords and bids
- Simplify the increasingly complex search landscape

The bid optimization process

As shown in Figure 1, automated search bid optimization includes these five essential steps:

1. **Marketer goal.** A marketer sets a unique goal based on their business objective. The system always works to achieve this goal.
2. **Data analysis.** The system gathers and analyzes data on selected keywords, including external signals such as historical performance, seasonality, critical dates, and offline events.
3. **Bid decision.** The system decides on and sends out the best bid to meet the defined goals for any given keyword, and reviews these decisions throughout the day.
4. **Results.** Reporting tools offer transparency to help the marketer monitor performance and gain insight into bid decisions and impact.
5. **Feedback.** Using a rich set of controls, the marketer makes tweaks as needed. This feedback loops back into the system's bid engine as additional signals in making future bid decisions.

To be effective, a bid optimization platform must execute each of these steps well. The best platforms support a flexible and nuanced expression of business goals, pulling in far-reaching signals and analyzing them carefully to determine an effective bid for every keyword at a price that furthers the marketer's goals. These platforms also offer transparency, enabling search marketers to review the rationale for any given bid decision and gain insights into impact on campaign performance for a continuous feedback loop.

Figure 1: The five steps in search bid optimization
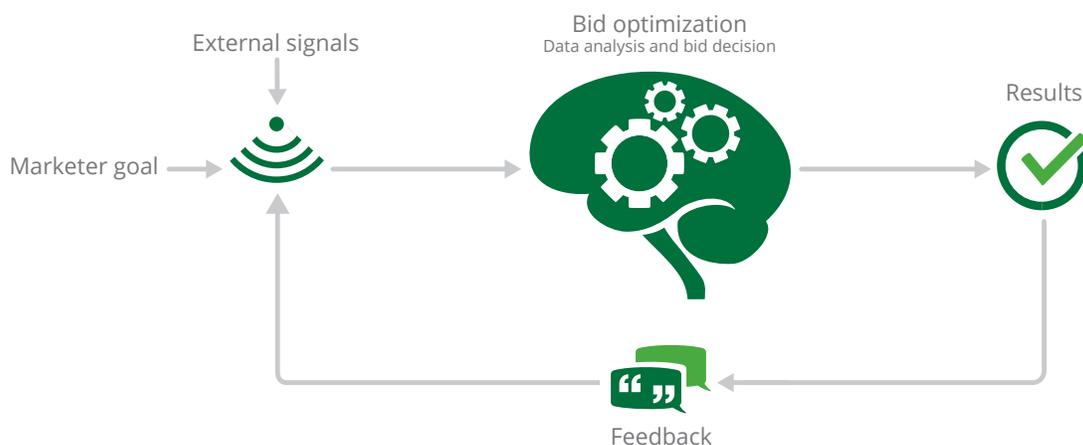
Evaluating a bid optimization platform

In recent years, many different search management solutions have emerged, each offering a different set of features intended to streamline the management of large search campaigns. Automated bid management and optimization lies at the heart of most of these products. Since bid optimization is the "engine under the hood" that can make or break search campaign performance, marketers need to carefully evaluate different platforms before investing in one. But with so many players in the market, comparing them can be a challenge.

How does a marketer or agency select the best platform for its needs? Here are seven critical questions they should ask when evaluating the bid optimization capabilities of different search management platforms:

1. Can I state my goals to match how my business really works?
2. How fresh is the data that's used in making bid decision?
3. Is your platform smart enough to make a difference in my campaigns?
4. Is your platform fast enough to make a difference in my campaigns?
5. How often do you refine your algorithms?
6. How much control will I have?
7. How do you help me get better results?

The following sections discuss each question in turn, then address how the recently introduced version of the DoubleClick Search Performance Bidding Suite fits in.

1. Can I state my goals to match how my business really works?

Effective bid optimization starts with the search marketer's goal(s). The flexibility to express individual campaign goals helps ensure that all bids maximize the desired business results. These goals are often unique to the marketer's particular business objectives. As such, the bid optimization tool should be comprehensive in the goals it supports, offering the option to combine goals, and to optimize against unique business data.

Table 1 defines some basic goals for search marketing campaigns that all bid optimization platforms should support.

Table 1: Basic goals for SEM campaigns

Goal	Definition	Example
Cost-per-action (CPA)	The average cost per action, where action is defined by the marketer (conversion, sale, signup, or other marketer-defined event)	$3.50 CPA: Spend an average of $3.50 per action (however a marketer defines "action")
Revenue *Effective Revenue Share (ERS)*	The total cost of a campaign divided by the total revenue generated by that campaign, expressed as a percentage	20% ERS: Spend an average of $0.20 to generate $1.00 in sales
Position	The ad position (rank) that the marketer wants to achieve on the page. Position can be expressed as a whole number (1), a range of numbers (1-3), a decimal (2.5), or any combination	Position 2-3: Bid with the goal of achieving an ad position of 2 or 3 on the page
Return on Ad Spend (ROAS)	The total revenue generated by an SEM campaign divided by the cost, expressed as a percentage	200% ROAS: spend $1 to generate $2 in revenue
Spend (Budget)	A precise monthly budget to spend while maximizing results on a specific metric (clicks, impressions, conversions, or other)	$10,000 spend: Spend exactly $10,000 a month to generate the maximum number of impressions

Beyond these basic strategies, many marketers need a way of expressing a combination of goals, based on their unique business objectives. To achieve this, they should look for a solution that gives them the flexibility to express their goals in a rich language. Table 2 defines some of the many possible goal combinations that marketers may need. Of course, it is not possible to list all combinations, since the possibilities are virtually limitless.

Table 2: Examples of goal combinations for search marketing campaigns

Goal combination	Objective
Achieve a target position while hitting a specific monthly budget	Maintain visibility within a defined budget
Achieve a defined ERS within a target position	Maximize exposure while meeting specific ROI goals
Unique ROI goals based on the type of conversion/action. *Example: Set more aggressive ROI goals for purchases and lead submissions, and more conservative ROI goals for newsletter signups or page visits*	Maximize returns by weighting higher-value conversions over lower-value conversions
Set a CPA goal that includes conversions generated from offline call tracking	To maintain a target CPA for both online and offline conversions

Of course, these options for advanced goal expression give rise to further questions. Does the platform offer only a basic ability to optimize to a combination of metrics—or does it support full flexibility to express a unique goal for each different type of conversion? Can the tool also optimize for offline conversions?

By understanding how campaign goals can be expressed in a bid optimization system, marketers can better understand how well that tool can help them achieve their business objectives.

2. How fresh is the data used in making bid decisions?

Since bid optimization platforms are essentially decision engines, data lies at the center of the process, with the system taking in and analyzing data before deciding on the best bid for a given keyword. As is the case with any data-driven process, the freshness and accuracy of the data is paramount. Low-quality data going in means poor results coming out.

This is especially important in the dynamic arena of search, where smart and timely decisions must be based on the freshest data, breaking trends, change in competition, and the latest campaign performance. For this reason, the best bid optimization technologies are defined by the integrity of the data they rely on.

Marketers should inquire about the freshness of the data that informs the bid optimization platform. How quickly does data flow from the engines to the platform? How fresh is data at the impression, click, cost, and conversion level? What about cross-channel data? For marketers managing search as well as display, does the platform optimize based on de-duplicated conversion data across these channels? If so, does this data flow in automatically on a continuous basis, or is it imported via data transfers, which can take 24+ hours to propagate throughout the platform and be considered in bid decisions?

These are important considerations for search marketers looking for a system that will consistently obtain the freshest data available, and thus make the best possible bidding decisions.

3. Is your platform smart enough to make a difference in my campaigns?

Search trends are dynamic, changing with the seasons, news events, weather, and many other external influences. In addition, to keep up, marketers are continually refining keyword lists to expand their reach and take advantage of emerging trends. Moreover, with these new opportunities come new competitors, further influencing position and CPC results for keywords. In such a dynamic space, basic automation is not enough.

Simple or formulaic bidding decisions—independent of external influences or keyword changes—cannot effectively manage bids. Marketers need intelligent systems that can immediately react to capture every opportunity. Smart systems with intelligent algorithms that understand unique business goals, learn from dynamic search trends, and bundle keywords of varying history for optimal performance will help search marketers maximize ROI and make the most of their marketing dollars.

Here are some key capabilities that marketers should look for in a "smart" bid optimization system.

Near-real-time trend detection
A core function of any intelligent bid optimization engine is the ability to analyze past data to predict future trends. The best tools pick up on market trends such as seasonality, holiday periods, or sudden spikes in demand due to offline events like weather. They go on to achieve peak optimization by anticipating and accounting for fluctuations in traffic around such external events.

Full portfolio optimization
Not every keyword generates the same response. Smart bidding platforms intelligently bundle keywords with similar traits—including volume, data, and performance —and consistently re-evaluate keyword performance to deliver the best results at the overall portfolio level. With portfolio bidding, there is no need to separate low-volume, high-volume, and high-performance keywords into different strategies. If all these keywords are managed toward the same end-goal, the bid optimization engine should be able to automatically assess the best way to optimize either individual keywords or groups of keywords.

Here are some common portfolio bidding techniques offered by bid optimization tools:

Performance-based spend allocation
Effective bid optimization allocates budget dynamically to various keywords, based on their performance. The algorithm must be smart enough to consider the opportunity cost of each keyword and allocate spend accordingly.

Table 3 outlines a hypothetical example of campaign results with and without smart spend allocation. Here, the goal is to maximize sign-ups at a $60 CPA. Without portfolio bidding, 180 sign-ups are generated at the standard $60 CPA for both keywords. With portfolio bidding, the number of sign-ups increase while the CPA at the portfolio level remains the same. An extra 20 sign-ups are generated by attaining a $56 CPA for one keyword and a $63 CPA for another.

Table 3: Using performance-based spend allocation to maximize sign-ups

OFF: Every keyword is kept at $60.00

	Sign-ups	Cost	CPA
Keyword: elections	100	$6,000	$60
Keyword: primaries	80	$4,800	$60
Portfolio:	**180**	**$10,800**	**$60**

ON: Portfolio is kept at $60.00

	Sign-ups	Cost	CPA
Keyword: elections	90	$5,040	$56
Keyword: primaries	110	$6,960	$63
Portfolio:	**200**	**$12,000**	**$60**

Low-volume keyword evaluation

Low-volume keywords (less than 10 clicks a day) account for almost one-third of a typical campaign's spend.[2] But manual or simple automated bidding rarely consider the profitability of these keywords, since they provide little or no data to use. However, ignoring long-tail terms that lack a minimum number of clicks can add up across the board—leaving opportunity on the table.

Marketers should look for a platform that addresses this lost opportunity by grouping keywords intelligently to include low-volume keywords in the bid optimization process. Low-volume keywords must be treated differently than high-volume keywords, but a smart tool recognizes that the low-volume keyword of today may become a high-volume keyword tomorrow.

Effective bid optimization tools use calculated experiments and intelligent bundling to boost the potential for low-volume keywords, helping them gain more exposure. This approach generates better campaign performance, and makes it faster and easier to ramp up new campaigns, without spending on keywords with unknown potential.

A weighted approach to data. To get around the data challenge that comes with low-volume keywords, a platform may rely on a keyword's full history to ensure there is enough "useable" data to make bid decisions. But this historical data may be stale, and irrelevant to the marketer's current business. Sophisticated bid optimization platforms use a weighted approach to data, taking into account historical data on a "selective" basis to understand recurring trends, yet giving more weight to more recent data.

4. Is your platform fast enough to make a difference in my campaigns?

Speed is another critical aspect of effective bidding. Even if a platform can make smart, well-informed decisions, these bids can quickly become irrelevant. An effective search management platform must also execute quickly to keep up with the dynamics of the search space.

[2] Google internal data, 2012

This means simply evaluating keywords for bidding once per day is not sufficient. To respond quickly to emerging patterns, effective systems evaluate keywords multiple times throughout the day, using the most recent (and accurate) data. Bid frequency should also increase during high-volume periods.

For example, a change in the weather shows how the speed of a bidding platform can impact performance. On a rainy day, searches for the query "umbrella" increase. With this, marketers selling umbrellas need to react immediately to get their message in front of these prospective customers. The most effective platform will bid immediately on relevant keywords, and evaluate such keywords frequently throughout the day to help marketers benefit from this short-lived opportunity.

In the ever-changing search space, speed is the difference between seized and lost opportunities. A fast system means quick, responsive bid execution and campaigns with the most impact.

5. How often do you refine your algorithms?

The "decision engine" of any bid optimization platform comprises of a set of algorithms, or software programs. Today's powerful and robust algorithms can become outdated and irrelevant if they are seldom tweaked and updated.

Although the viability of a platform's algorithms is an important consideration, it can be difficult to evaluate, as this technology of each platform is its "secret sauce" based on proprietary software code. However, one marker of robust algorithms is how often they are updated. New software releases must be available on a regular basis, not confined to annual or semi-annual upgrades.

A system update typically addresses areas including:

- Data refreshes, to access more current data for bid decisions
- Bidding frequency, to allow for more relevant bids during high-volume periods
- Smarter keyword bundling, to improve the handling of low-volume keywords

However, the ultimate measure of a good algorithm is the campaign performance it delivers. Search marketers should ask for concrete data on whether campaign performance is improved by the platform's bid optimization. They should also inquire whether recent updates to algorithms generated any better results for clients.

6. How much control will I have?

For marketers, maintaining "control" over their campaigns seems like an obvious must-have. But there's more to this issue than meets the eye.

Today's search campaigns can be so expansive that it's impossible to control them effectively using manual methods alone. Automation is essential to scale and handle the massive data and compressed timeframes of today's campaigns. Yet by definition, automation means relinquishing at least some measure of control. After all, if a system did nothing but propose bids for a marketer to confirm manually, this would defeat the whole purpose of automation.

Every platform deals with this tradeoff in its own way. Some provide marketers with an extensive set of controls, using a "kitchen sink" approach that can clutter the user interface, distract users, and obscure the higher-level goals of the business. Others ask marketers to simply trust their engineers, while their systems operate as a "black box," with their inner workings closely guarded.

Search marketers look to automation to streamline workflows and boost campaign results, but they also want insight into the decisions made and sufficient controls to act on what they see. Here are some important considerations around this issue of control versus automation:

- **Flexibility**. Does the platform offer the choice of either full-blown automation or robust controls, and the ability to switch between them as needed?

- **Transparency.** How much insight is provided into bid decisions—both intended and actual—and their impact on campaign performance?

- **Controls.** What kinds of controls are available? Can marketers override automated decisions if needed? Is the system "open" to the unique insights and business logic of individual marketers?

- **Customization.** How much customization can be done? Does each customized control have a proper business rationale? Or are customizations simply making up for deficiencies in the decision engine itself?

The truth is, marketers know their own business best. As smart and fast as an algorithm may be, it may never capture every nuance of a business's goals. Marketers should look for a platform that offers controls for adding their own insights to inform the system. This combines the best of both worlds—the efficiency and scale of an automated platform, plus the nuanced insights of every unique business—to result in even more powerful performance.

7. How do you help me get better results?

Managing bids effectively, even with an automated tool, is one of the larger challenges of search campaign management. With multiple goals, controls, and settings to manage, marketers want to make sure they understand the process before adopting a tool that could make a significant impact on their ROI.

Marketers need access to a strategic partner to enable their success with bid optimization. An effective professional services team should:

- Clarify the goals offered by the bidding platform and align them to the unique needs of the marketer's business

- Help identify initial keywords to assign to bid goals

- Advise on initial strategies and settings

- Explain best practices in implementation, testing, analysis, and adjustments

The right services team will promote a low-risk, experimental framework for bid testing—starting with a few keywords, assessing the results, and launching more broadly only when initial tests prove successful. Access to a dedicated contact to help ensure success with the tool is a must for any bid optimization platform.

Performance Bidding Suite from DoubleClick Search

This section describes how bid optimization solutions from DoubleClick Search address each of the seven factors described above.

In 2011, DoubleClick Search was completely rebuilt from the ground up, with the goal of giving search marketers a simpler and faster way to manage campaigns, provide streamlined reporting and powerful campaign optimization tools—and do it through a platform that runs on Google systems and infrastructure. With DoubleClick Search, search marketing campaigns are powered by the Performance Bidding Suite, a robust bid optimization system backed by Google's many years of search and bid optimization expertise,

with no single line of code being the same as the legacy product. The proprietary technology behind the Performance Bidding Suite makes intelligent bidding decisions in near-real time, based on dozens of external factors and marketer inputs. It is continually evolving through a sophisticated experimental framework to help search marketers see the best possible results across millions of keyword searches every day. Studies following recent improvements to the system showed that 88% of DoubleClick Search clients saw a significant boost in campaign performance.[3]

1. Flexible goals for unique business objectives

Whether a marketer has a goal that's based on a CPA, revenue, return on ad spend, budget, or a combination of these, the Performance Bidding Suite enables them to define and optimize to precise business objectives, and express a unique bid for every tagged activity on their site. Marketers can optimize to multiple goals simultaneously, such as achieving a specific ad position while meeting a monthly budget. Or, they can optimize to varying conversion goals, such as bidding more for keywords likely to drive both site registrations and purchases, and lower for keywords likely to drive registrations only. In addition, the Performance Bidding Suite offers the option to integrate offline data, and have this data expressed in bid decisions to ensure that the entirety of a marketer's business is usable for bid optimization consideration. Decisions such as these—which can be extremely daunting with manual keyword bidding—become easy with DoubleClick Search's flexible, automated Performance Bidding Suite.

2. The industry's freshest data

DoubleClick Search bases bid decisions and optimization on fresh performance data pulled directly from search engines every 15 minutes, plus de-duplicated conversion data from Floodlight, DoubleClick's proprietary conversion-tracking pixel. This gives the Performance Bidding Suite clear and holistic insight into both the current search auction landscape, and the marketer's business objectives. Using fresh and accurate data helps the Performance Bidding Suite make the best possible bidding decisions.

3. Innovative bidding for maximum ROI

Portfolio-based bidding leads to smart bid decisions by intelligently bundling keywords across multiple attributes to maximize ROI, therefore minimizing lost opportunities. DoubleClick Search's Performance Bidding Suite capitalizes on the often-untapped potential of long-tail keywords; for both low-volume and no-volume keywords, this technology "jumpstarts" their potential by managing them as a group to avoid any volatile swings in cost or conversion. The Performance Bidding Suite runs continuous experiments with small portions of budget to test possible responses to unexplored keywords. Within this framework, keyword bundling—along with smart spend allocation, quick trend detection, and predictive modeling—make up the "brains" of this bid optimization engine, to meet the goals of any business.

4. Near real-time optimization

DoubleClick Search pulls in search engine performance data throughout the day, giving the Performance Bidding Suite the freshest data available to make the quickest, most relevant decisions. The bid engine performs intra-day evaluation for all keywords, and can bid up to four times a day to help reach a marketer's defined goal.

5. Continually-evolving algorithms for better decisions

The sophisticated algorithms at the heart of the Performance Bidding Suite are tested and updated approximately every six weeks to keep the platform on the leading edge of the industry. This rapid pace of innovation comes from world-class engineering teams with years of bid optimization and online auction experience.

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[3] Google internal data, March 2012

6. Full transparency and controls

Full transparency and customization allow marketers to benefit from intelligent automation while maintaining as much control as needed to manage their unique goals. Marketers can monitor progress toward each goal, ensure any changes fall within set constraints, and see a history of bids and associated rationales.

Several significant features provide transparency, including:

- **Bid charting**, which visualizes bid changes, bidding frequency, and trends over time
- **Bid rationale**, which reveals the reasoning behind any changes to specific bids
- **Bid preview**, which shows the target bid DoubleClick Search intends to submit for a particular keyword. This feature provides insight into the range of bids the system is likely to submit, based on the current bid and data, to offer guidance in setting bid limits.
- **Primary constraint**, which displays reasons why a keyword might not have reached a target bid (for example, it was constrained by minimum or maximum bid limits)

Marketers have controls to act on this information by defining a bid's acceptable range, applying varied weights to different conversions, adjusting minimum and maximum bids, offering flexible keyword-to-goal assignments, and informing algorithms with their own business data. With a rich set of transparency and customization features, the Performance Bidding Suite gives marketers controls that count.

7. Dedicated experts on hand

When a marketer is ready to start with the Performance Bidding Suite, a world-class professional services team is there to provide assistance. Technical Account Managers (TAMs)—dedicated DoubleClick Search experts—can help clients navigate training, overcome technical hurdles, or get answers to general questions about the Performance Bidding Suite. A TAM works directly with marketers to understand their business objectives and offer strategic, consultative guidance.

DoubleClick Search customers can expect:

- Regularly scheduled calls or visits to review bid strategy implementation and best practices
- Help running small tests before applying bid goals to broader campaigns
- Follow-up meetings to assess and review bid strategy performance

The TAM is a business partner, invested in the goals of DoubleClick Search customers, and working to help them meet all their search marketing goals using the Performance Bidding Suite.

Conclusions

Over the years, search marketing has expanded dramatically in scale and complexity, to the point that large SEM campaigns are now impossible to manage using manual methods alone. An automated search management platform is essential for marketers running larger campaigns, enabling them to scale up and streamline their operations at the same time. One vital function of these platforms is automated search bid optimization. There are five steps to search bid optimization, and each one must be well-executed for best results: expressing business goals, analyzing data, setting keyword bids, monitoring results, and tweaking signals through a feedback loop.

When marketers evaluate search bid optimization engines, there are seven key factors to consider: flexible expression of goals, fresh data, smart algorithms, fast operations, regular software updates, sufficient controls and transparency, and dedicated, consultative services. Search marketers looking for automated bid optimization should review the options carefully, and pick the platform that delivers the best possible campaign results. The DoubleClick Search Performance Bidding Suite compares favorably on each factor. To find out more about how the Performance Bidding Suite can streamline your SEM efforts and boost your results, contact our sales team at: http://www.doubleclick.com/search.

About DoubleClick Search

Built on Google infrastructure, DoubleClick Search makes it faster and easier to manage large search campaigns across AdWords, Microsoft AdCenter, and Yahoo Search Marketing. Powerful, easy-to-use workflow and reporting features save you time, while strategic bid optimization features help you improve performance. Native integration with the DoubleClick platform enables you to manage and track all your digital ad buys across one platform, surfacing rich cross-channel reporting and attribution.

About DoubleClick Digital Marketing

DoubleClick Digital Marketing (DDM) is an integrated ad technology platform that enables agencies and marketers to more effectively create, manage and grow high-impact digital marketing campaigns. DDM brings together world-class solutions to help buyers run holistic digital marketing programs across multiple channels, and includes DoubleClick Digital Marketing Manager, DoubleClick Search, DoubleClick Bid Manager, DoubleClick Rich Media, DoubleClick Ad Exchange, and Google Analytics. These solutions work together, helping buyers run digital marketing programs across multiple channels, efficiently.

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