PPC Budgeting Best Practices

10 Tips for Setting Your 2013 PPC Budget

A WordStream Guide

WordStream®

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10 Tips for Setting Your 2013 PPC Budget

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As the end of the year approaches, it's time to start setting budgets for your various marketing channels in 2013. If you're relatively new to pay-per-click (PPC) marketing, you'll probably find that budgeting for this channel can be a challenge.

Setting budgets for your PPC campaigns is complicated, but it doesn't have to be difficult. In this paper, we'll walk through ten best practices to help you get the most from your PPC budgets in 2013.

1. Getting Started: How to Determine Your Initial PPC Budget

Setting your initial budget is a challenging task for new advertisers. The key thing you want to be able to do with a new PPC account is test the effectiveness of pay-per-click as a marketing channel for your business. For this reason, you want to **start by getting a sense of how much you'll be paying for each click**. This will give you a sense of the total costs to drive a reasonable amount of traffic to your website through paid search. AdWords' free traffic estimator is a solid resource for this step. The tool is never 100% accurate, but you can get a good feel for how you might fare in terms of costs per click in different positions.

Let's assume the tool is telling us we can sit in around position four for our target term for about $2 per click. That's a great starting point. If that's the case, and our site typically converts at around 5%, $2,000 would let us get to 1,000 clicks and 50 conversions with an initial test. This is a pretty decent sample size and would give us a reasonable indication of how we could expect PPC to perform as a channel. To get an idea of whether a data set will be statistically significant, try out this great pre-formatted Excel tool to perform a statistical significance check.

Another consideration we want to think about as we evaluate budget is how our site typically converts. This will tell us if this test will make sense for us. One way to do this is to look at how unbranded organic search engine traffic to your site converts.

First you want to create a custom advanced segment that excludes any keywords containing your brand name (more information on that here). Once you have the segment set up, you then want to navigate to the **Conversions > Goals** section of your analytics dashboard and apply the segment to that data:
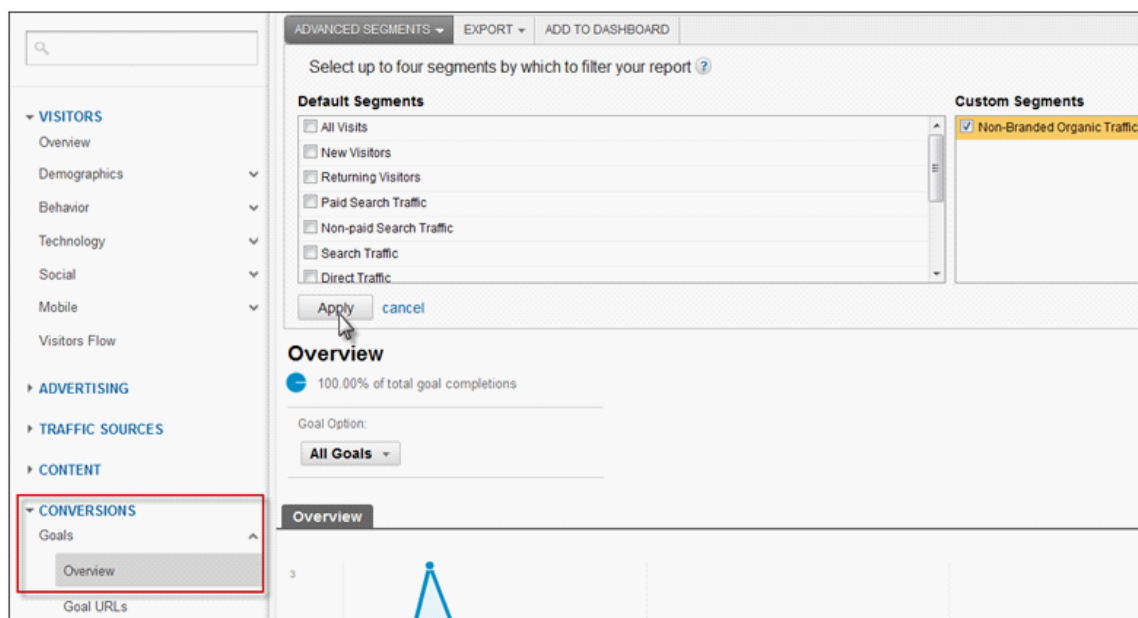
Next, you can scroll down to see what the conversion percentage on this traffic segment is for you:
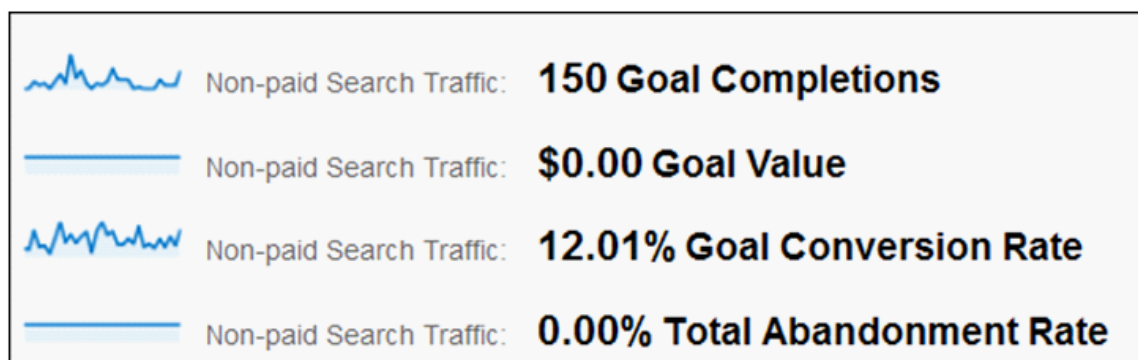
This number is particularly relevant for your pay-per-click budgeting because **unbranded SEO traffic will typically be a pretty good proxy for PPC traffic you'd want to bid on**. If you're not driving very much SEO traffic, however, or your site isn't well-optimized and is driving the wrong kind of traffic, this analysis is less useful.

In this case, we're converting at around 12%. Given that clicks cost $2, this means that for every 100 clicks, we'll likely pay around $200 and get around 12 conversions, which works out to about $16 per conversion.

This is important to consider — if in running this calculation we find that the CPA (cost per acquisition) is too high to be profitable, we want to proceed with caution. You might allocate a smaller test budget to PPC and closely monitor progress, whereas if this CPA looks really promising, you should probably consider giving PPC a "longer leash" with your initial test budget. This will ensure that you don't turn it off before you've optimized our way into a profitable campaign.

2. Base Your Budget on Profitability

This tip seems pretty straightforward, but with all of the nuts and bolts and minutiae that go into running successful PPC campaigns, managers sometimes forget to focus on **the most important metric: profitability**. As with all things PPC and marketing in general, remember to base your decisions on profitability and the way your business actually runs. Areas of your account that are more profitable should get more attention and more of your budget.

3. Don't Arbitrarily Cap Profitable Spend

If your campaign is profitable, why do you need a budget? Shouldn't you be acquiring as much profitable business as possible? If you're running a small shop that can only handle so many leads, or you don't have the inventory to support anything beyond a certain budget, that may be fine and perfectly reasonable, but ask yourself the question: Why not take on the additional profitable business?

Many times advertisers set arbitrary numbers as a cap on what they're willing to spend because it fits nicely into a larger marketing budget, but if you're generating profitable leads and sales, your budget may be unnecessarily limiting. You might be able to just bid to profitability (i.e., if traffic stops being profitable when you have to pay $3 per click, take all of the profitable traffic you can get paying $2) and drive as much traffic as you can buy.

4. Don't Just Slash Budget for Unprofitable Campaigns — Optimize Them

The inverse is also true: If your campaign is still running and isn't profitable, that's likely not something you want to address with budget. Rather, you should solve this issue through bidding changes, optimizations around Quality Score (better targeting and campaign structure), and so on.

If you limit budget on unprofitable campaigns, you'll be spending less, but still allocating money in an unprofitable way. Instead, fix the problems in that segment of your campaign. If you're not sure what the issues are, try running your account through the AdWords Performance Grader, a free PPC auditing tool.

5. Understand Your Business's Seasonality

Whether you're just starting a campaign or have historical data to leverage, it's important to know what your seasonal swings will be before you start to set budget. You might want to keep a tighter rein on your monthly budget for July than your budget in the winter months if you sell heating oil or ski trips.

Even if you run a business that doesn't have obvious seasonality built in, like a B2B software company, your summer months may be slower than winter months. If you don't have historical data to look at, analyzing keyword trend data from third-party tools can still be helpful.

6. Create Your Campaign Structure Based on Different Budgetary Controls

One of the things you control at the campaign level in an AdWords account is your budget. This means that the way you break up your campaigns will affect the way you're spreading your budget. You want to think about the impact of your campaign segmentation, particularly if you have hard and fast budgets associated with certain geographies or distinct product lines or service offerings. For instance:

- **Geography** — You may want to push certain budgets to certain geographies, since geo-targeting also happens at the campaign level.

- **Product Lines** — You may want to break your campaigns out by product so you can allocate different spend to different product lines at the campaign level.

- **Other Settings** — You may want to break your budget out based on things you can control at the campaign level, like network targeting (i.e., search versus the content network), device targeting (mobile versus laptop or desktop), etc.

Which factors are a priority for your own budgeting depend on the priorities around your business and your account, but understand that you need to keep in mind what you control at the campaign level as you decide how to divvy up budget. This is key to getting the most out of your campaign structures.

7. Test Accelerated vs. Standard Ad Delivery

One of these available settings at the campaign level is ad delivery: You can determine how to spend your budget, accelerated or standard. Accelerated delivery basically means that Google will spend the money on any relevant clicks it matches your ads to as quickly as possible, while standard delivery method uses historical data to attempt to serve your ads more evenly throughout the day, so you get exposure at multiple times of the day.

This is a good example of something that's worth testing on larger sections of your campaigns if you have the bandwidth — you can leverage the time report in the AdWords dimensions tab to get an idea of what times of day your ads perform best in order to get the most from your budget. But in this instance you should again ask yourself: if your campaign is running profitably, why not just set your ads to accelerate and adjust your budget so that you can get as many profitable clicks as you can?

8. Consider Breaking Larger Budgets Into Multiple Campaigns

In some PPC accounts, the bulk of your spend and conversions may come from a single large campaign. In these instances, consider breaking up this campaign and spreading the budget out across multiple campaigns that allow you to manage your bids more granularly. For example, consider:

- Breaking out mobile traffic and laptop/desktop traffic
- Breaking out the highest performing geography or geographies

Or you might consider segmenting the campaign more granularly at the keyword level.

9. Leverage Impression Share Data to Identify Opportunities

You can get a sense of which campaigns are missing out on impressions due to budget very easily within the Campaigns tab in AdWords. Make sure you've customized columns to include the "Lost Impression Share (budget)" column:

Then you can drill down to see which campaigns are missing impression share due to budget, and if they're profitable, push your budget up on that campaign:

Impression share, like many easily accessible metrics, is imperfect — WordStream's AdWords Performance Grader uses a "weighted impression share" metric, which can give you a more useful picture of how you're allocating budget across your campaigns.

10. Remember: Your PPC Budget Isn't Necessarily Your AdWords Paid Search Budget

A final budgeting tip and word of caution: don't forget about other networks outside of Google search! If you haven't already, allocate some budget for:

- Google's content network
- A test campaign on adCenter, Facebook or LinkedIn
- Testing third-tier PPC platforms

While the bulk of your spend and conversions will often still live on the search network and certainly on AdWords, you may find that you're leaving cost-efficient conversions on the table by failing to allocate budgets on these alternative networks .

These ten tips should help you set more effective PPC budgets for 2013 and years to come.

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About WordStream

WordStream Inc. is a provider of software and services that help search marketers maximize the performance of their PPC and SEO campaigns, driving traffic, leads, and sales for lower costs. The company's easy-to-use PPC management software facilitates more effective paid search campaigns by increasing relevance and Quality Scores in Google AdWords, automating proven best practices, and delivering expert-level results in a fraction of the time. WordStream also offers a best-in-class Keyword Research Suite for finding and organizing targeted, profitable keywords for use in paid and organic search initiatives. In addition, WordStream provides full-service PPC management and other value-added services to help advertisers who are new to AdWords or strapped for time get stellar results from pay-per-click marketing. Learn more at www.wordstream.com.