

Value-based bidding: Increasing ROI from digital media

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Most brands have embraced automated bidding as an intrinsic part of their marketing strategy, finding it to be an efficient and powerful way to reach digital audiences at scale. In fact, Google's data shows that more than 80% of its advertisers leverage automated bidding.

This raises the question of how a brand can set itself apart from the competition, when most companies are advertising online across the same programmatic platforms.



Source: www.unsplash.com

One of the exciting options at their disposal is value-based bidding, a concept that Google introduced in 2021. The idea behind value-based bidding is that companies can bid towards business priorities, such as growing profit or revenue.

With value-based bidding, you can bid for customers according to the potential value of the lead. This contrasts with the traditional approach of fixed-value bidding, where all leads are assigned the same value.

With fixed-value bidding, all conversions are treated as equal and the emphasis is on generating as many leads as possible.

This approach can lead you towards over-investing in poorer quality leads and missing the opportunity to acquire higher

quality leads. As one example, for most businesses, it is not efficient to spend as much money on a prospect who is enticed into downloading a brochure as on someone who completes and submits a lead form.

Focus on lead value, not just volume

Value-based bidding enables you to improve return on investment (ROI) by focusing on the leads that are most valuable to your business. You can map out your lead-to-sale journey to understand the key stages in your funnel and determine the average values of your conversion actions. From there, with Google's help, you can determine the most valuable conversion actions on which to bid in the Ads platform.

Value-based bidding considers the conversion rates at every step, from lead generation and lead nurturing to final conversion. This is extremely beneficial if you rely on offline activities to qualify and convert leads.

For example, a car dealership can track the conversion rates for customers signing up for the newsletter, asking to be called or making an online booking for a test drive. The dealership can track conversion rates across the months that may pass between these actions and the sale of a car.



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According to Google, 70% of lead generation marketers cite improving the quality of leads as their most important objective. Yet they don't want to compromise on getting more leads at the same time. With value-based bidding, brands can generate higher ROI for every kind of lead. Thus, they can assess ROAS (return on ad spend) more accurately.

Google says that some brands have reported a 30% lift in cost efficiency and 20% higher revenue after adopting value-based bidding. This is because budgets are allocated more efficiently with a focus on high quality leads with a greater customer lifetime value. It's a powerful way to use your first-party data to reach higher value customers more effectively.

Getting started with value-based bidding

Implementing value-based bidding will be an evolutionary process for most marketers. But you can start today, and begin reaping the benefits almost immediately. The first step is to ensure that you are supplying high-quality data to the Google platform. Set up conversion tracking if you haven't already done so. From there, you'll be able to identify key stages in your funnel and determine the average values of your conversion actions.

The Google platform supports two methods of assigning values:

- Use dynamic values: If you can track a conversion value on your site, you can integrate this value into the tracking of your conversions and optimise on it. If the conversion event takes place offline—for example, via phone call, you can import these conversions by assigning them values.
- Use static values: When you are tracking multiple conversion actions, you can assign a static value (the same value) for each conversion action. This is the option to go for when you do not have offline conversion values to import, or conversion values tracked directly on the site.

Once you have assigned values to conversion, you're ready to start switching to a value-based bidding strategy. Be sure to allow the algorithm enough time to 'learn' (Google recommends six weeks) which conversions are most valuable for your business before switching your campaign to a value-based bidding strategy.

You can use a target ROAS bid strategy to maximise your conversion value while averaging your target return on ad spend. If you don't have a ROAS target, you can use a maximise conversion value bid strategy to optimise the total conversion value of your campaign within your daily budget.

Give your bid strategy time to stabilise and gather long-term data points to form predictions and bid for conversions. To optimise the value of this bidding strategy, ensure you are capturing demand with broad-match keywords and responsive search ads. And be sure to measure your success by your conversion goals, not irrelevant criteria such as clicks and views.

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