

Lesson no. 12: Google Adwords- PPC Advertising

CREATING ADS

I. UNDERSTANDING AD METRICS

Statistics that are collected and compared to help evaluate the effectiveness of a particular advertising campaign. The click-through rate is just one example of the explosion of new advertising metrics that have arisen, thanks to the internet.

Here are 21 metrics for measuring the success of your display advertising.

Impressions – It is the number of times your ad is displayed. The number by itself does not hold much value but it is a metric used to calculate other metrics and KPIs. Keep in mind that an impression does not mean that someone actually saw the ad, it just that the ad was shown on a web page/app.

i. **Reach** – This is the number of unique people (generally identified by cookies) that were reached by your ad. This number is always lower than the impressions because your ad is generally shown to same person (cookie) multiple times.

ii. **Cost** – The total cost of running the ad campaigns. This is calculated differently by different tools and organizations. Some use actual media cost while other use a fully loaded number that includes the agency cost, creative cost etc. Whichever number you use, be consistent in your approach. If you are going to do comparisons with **CPC** models such as Paid Search then I suggest using the actual media cost. Most of the publicly available benchmarks are based on actual media cost and are expressed in **CPM** (explained later in this list).

iii. **Engagement Rate or Interaction Rate** – This applies to the Rich Media Ads, where a user can interact with the ad without leaving the Ad unit/widget. Engagement Rate is the percentage of interactions per impression of the ad unit and is calculated as $(\text{Number of Interactions} / \text{Total Impressions}) * 100\%$.

- iv. **CPM** – This is the cost for 1000 Impressions of the ad unit. Display advertising is generally sold on CPM basis. (For more information on CPM, see Cost of Advertising: **CPM, CPC and eCPM Demystified**).

- v. **Clicks** – Number of clicks on an ad unit that lead to a person leaving the ad unit. Keep in mind that a click does not mean that a person landed on the intended destination of the banner ad click. There are multiple factors that could lead to a click but not a visit to the destination (I won't cover those here but am happy to discuss over email or a call).

- vi. **CTR (Click through rate)** – It is the number of Clicks generated per impression of a banner ad. This number is expressed as a percentage.

$$\text{CTR} = (\text{click/impressions}) * 100\%$$

- vii. **CPC** – Cost per Clicks is the cost that you pay for each click. Generally, display advertising is sold by CPM (see above), you can easily convert the cost in to Cost Per Click to compare it against other channels such as paid search. Cost per click is the effective amount you paid to get a click. It is calculated by dividing the cost with number of clicks. $\text{CPC} = \text{Cost/Clicks}$. Sometime this number is also referred as eCPC (effective Cost per Click).

- viii. **Visits** – As stated above in the definition of clicks, not every click turns into a person landing on your destination (generally your website). Visits measures the clicks that did end up on your site. (For more definition of visits, please see Page Views, Visitors, Visits and Hits Demystified)

- ix. **Visitors** – Visitors metric goes one step ahead of the visits and calculates the number of people (as identified by cookies) who ended up on your site as a results of the clicks on the banner ads.

x. **Bounce Rate** – Is the percentage of visits that left without taking any actions on your site. It is calculated as Number of Visits with one page view /Total number of visits resulting from the display ads. (Bounce Rate Demystified for further explanation).

xi. **Engaged Visit Rate** – Generally this is opposite of bounce rate (though you can have your own definitions of engagement). It measure the quality of the visits arriving from your display advertising. You can calculate Engaged Visits as (100 – Bounce Rate expressed as percentage).

xii. **Cost/Engaged Visit** – This is effective cost of each engaged visits. It is calculated as total Cost divided by number of engaged visits.

xiii. **Page Views/Visit** – Page views the number of pages on your site viewed by each visit.

With a lot interactions happening on one single page, this metrics is losing its value. However, for now, it is still a valuable metric for ad supported sites.

xiv. **Cost/Page View** – As above, this is valuable metrics for ad supported site to figure out the cost of generating on extra page view.

xv. **Conversions** – Conversion is defined as the count of action that you want the visitors to take when they arrive from you display ads. Some examples of conversions are – purchase, signup for newsletter, download a whitepaper, sign up for an event, Lead from completions etc.

xvi. **Conversion Rate** – This is the percentage of visits that resulted in the desired conversion actions. $Conversion Rate = Total\ conversions/visits * 100$. If you have more than one conversion actions then you should do this calculation for each one of the action as well for all the actions combined. In case of Leads, you can take it one step

further and calculate not only the “Leads Generation Rate” (Online Conversion Rate) but also Lead Conversion Rate, which is, Leads that convert to a customer divided by total leads generated.

xvii. **Cost per Conversion** – This is the Total Cost divided by the number of conversions achieved from visits coming via display ads.

xviii. **Revenue** – This is total revenue that is directly attributed to the visits coming from display advertising. It is pretty straightforward to calculate in eCommerce but gets a little tricky when you have offline conversions.

xix. **Revenue per Visit** – Shows the direct revenue achieved per visit originating from the display advertising. It is calculated as Revenue Generated from Display Ads divided by the total Visits.

xx. **Revenue per Page** – This is useful for ad supported business models. This is sometimes expressed as

$$\text{RPM (Revenue per thousand impressions of ads)} = (\text{Total Ad Revenue/Number of page views}) * 1000$$

Note: In addition to Clicks, you can also look at View Through and calculate your other related metrics by view through. View Through is sum of all the cookies that visited a page that showed your ad on it, and then landed on your site. The assumption, in this calculation, is that you landed on the brand's site because of that ad exposure.

Where can you get these metrics from?

- a) Impressions, Reach, Cost, Engagement Rate, Clicks, CTR and CPC data is available from your agency or ad server tool.
- b) Visits, Visitors, Page Views, Bounce Rate, Engaged Visit Rate, Conversion, and Conversion Rate are available in your Web Analytics tool.
- c) Revenue is available in either your Web Analytics tool or other offline sales database.
- d) Cost/Conversion, Cost/Engaged Visits, Cost/Page view and Revenue/page are calculated using data from multiple tools.

II. DISPLAY AND DESTINATION URL

a) Display URL

The webpage address that appears with your ad, typically shown in green text.



Display URLs give people an idea of where they'll arrive after they click an ad. The landing page that you define with a final URL tends to be more specific. For example, if your display URL is www.example.com, your final URL might be example.com/sweaters.

For expanded text ads, your display URL consists of the domain of your final URL (and the subdomain, if you have one) and your two optional "Path" fields of up to 15 characters each.

In rare scenarios, your subdomain may not be added to your display URL. For example, if your subdomain uses a trademarked term, your display URL may not include your subdomain. Learn more about AdWords trademark policy.

Google constantly makes changes to AdWords. As a result, Google may update the domain component of your display URL.

Your display URL may appear in your ad with a "www." prefix in lowercase letters (even if you enter it with capitalized letters). If your URL begins with a subdomain, your display URL may include it (for example, the support in support.google.com).

ii) Destination URL

A Destination URL is simply the address of your webpage people reach when they click one of your ads. The way it's worked until now is that AdWords ad and keyword tracking relied on the Destination URL, which was made up of the landing page URL and tracking parameters.

If you wanted to adjust your tracking for any reason, you had to update the Destination URL, which sent your ads back to editorial review. Your ads would stop running during this review and whatever information was tied to the old URL was lost.

What's Changed?

This upgrade basically splits the Destination URL into two parts – you can now enter the landing page portion of the URL and the tracking information separately. It's so much easier and more convenient! Changing your tracking parameters at any level except the ad level doesn't trigger a review, your ads don't have to stop running, and you can update your tracking at the account, campaign or ad group level without seeing your ad stats go down the drain.