Smart Bidding In Google Ads: In-Depth Guide via @sejournal, @brookeosmundson

Imagine running campaigns that adjust bids perfectly for every auction, targeting the right user at the right moment.

That’s the promise of Smart Bidding in Google Ads.

For PPC marketers, especially for beginners, Smart Bidding can feel like an enticing but sometimes overwhelming tool.

Between algorithm updates, new automation options, and ever-changing PPC best practices, it’s easy to lose sight of how to maximize its potential.

In this guide, we’ll explore what Smart Bidding is, how it works today, and the actionable strategies you can use to get the best results. Whether you’re new to automation or looking to fine-tune your approach, this article is here to help.

What Is Smart Bidding?

Per Google’s definition:

> *“Smart Bidding refers to bid strategies that use Google AI to optimize for conversions or conversion value in each and every auction.”*

Unlike manual or rules-based bidding, Smart Bidding uses data signals – like device type, time of day, location, and even user intent – to determine the optimal bid for each auction.

Some of the key Smart Bidding strategies include:

- **Target Cost Per Acquisition (CPA):** Sets bids to help you get as many conversions as possible at your target cost per acquisition.
- **Target Return on Ad Spend (ROAS):** Focuses on maximizing conversion value at your desired return.
- **Maximize Conversions:** Aims to get the highest number of conversions within your budget.
- **Maximize Conversion Value:** Optimizes for the highest total conversion value, perfect for campaigns with varied transaction amounts.

These strategies are invaluable for streamlining campaign management, saving time, and improving results.

However, they work best when paired with a clear strategy and enough data points to make sound decisions.

When Should You Use Smart Bidding?

Smart Bidding isn’t a one-size-fits-all solution. Choosing the right strategy depends on your campaign goals, audience, and available data.

Here’s when each strategy shines, along with real-world examples to help you decide:

Target CPA

Target CPA is perfect for campaigns where controlling the cost per lead or conversion is crucial, such as lead generation.

For example, a SaaS company running a campaign to drive free trial signups wants to maintain a $50 CPA.

By setting this target, Smart Bidding adjusts bids to focus on leads that are more likely to convert within that range, while ignoring auctions where conversion costs might exceed that

goal.

Target ROAS

This Smart Bidding strategy is ideal for campaigns where profitability matters more than the number of conversions. Typically, most ecommerce businesses would opt for a ROAS strategy.

For example, say an online retailer selling high-end electronics has a goal to maintain a 400% ROAS (four times return on every dollar spent).

Using Target ROAS, the algorithm prioritizes auctions for users likely to generate higher-value purchases, such as customers buying laptops, while de-emphasizing bids for lower-margin items like accessories.

Maximize Conversions

Try using this Smart Bidding strategy when you have a set budget and want to maximize the total number of conversions, regardless of cost per conversion.

It’s especially effective for brand awareness or expanding into new markets.

For example, say, a non-profit organization aims to maximize email signups for a new awareness campaign.

Since the focus is on volume rather than cost efficiency, Maximize Conversions helps them get the most signups possible within their budget.

Maximize Conversion Value

This strategy is best for campaigns with varied transaction values, where the goal is to optimize for total revenue or high-value actions.

For example, a luxury travel agency advertises vacation packages ranging from $5,000 to $20,000.

By using Maximize Conversion Value, the campaign prioritizes auctions for customers likely to book premium packages, even if they cost more to acquire, rather than focusing on smaller bookings.

Common Pitfalls Of Smart Bidding

Smart Bidding is a powerful tool, but it’s not immune to challenges. Understanding potential pitfalls can help you avoid costly mistakes.

1. Insufficient Or Incorrect Data

Smart Bidding relies heavily on historical data to optimize bids. Campaigns with low conversion volume or incomplete tracking often confuse the algorithm, leading to poor performance.

For example, if you have a campaign that only gets 10 conversions in the past 30 days, it may not be best to go all in on Target ROAS or Target CPA strategies until it gathers more data.

With only a handful of conversions every month, the algorithm lacks enough data to predict future outcomes, resulting in missed opportunities or over-aggressive bidding.

For new campaigns, consider using Maximize Clicks first to gather enough traffic to your website, allowing the algorithm to learn faster and gain more historical data.

2. Misaligned Goals

Using the wrong bidding strategy for your campaign objectives is the easiest way to derail your campaign.

For instance, Target CPA may not be suitable if profitability (ROAS) is your primary goal.

In this hypothetical example, say a retailer mistakenly applies Target CPA to a holiday campaign, aiming for a $20 CPA, even though their products have a $200 average transaction value.

That strategy drives volume, but at the expense of profitability.

Make sure to clearly define your campaign's primary objective (lead generation, revenue maximization, etc.) and choose a Smart Bidding strategy that aligns with it.

3. Overlooking The Learning Phase

Every Smart Bidding strategy has a learning phase where performance may fluctuate as the algorithm adjusts.

Making changes too soon can reset the process and waste budget.

Say you just launched a campaign with a Target CPA strategy, only to switch it to Maximize Conversions just one week later due to inconsistent results.

This prevents the algorithm from stabilizing and optimizing for long-term success.

Allow one to two weeks (or longer for low-volume campaigns) for the learning phase to complete. Monitor performance, but avoid major changes during this period.

4. Ignoring External Factors

While Smart Bidding is highly adaptive, it can't predict seasonal trends, promotions, or external market shifts without proper input.

Make sure to use Google’s seasonality adjustment tool to account for temporary shifts in user behavior during sales or promotions, or even national events that could change a user’s online behavior.

5. Underutilizing Advanced Features

Many advertisers set up Smart Bidding, but fail to use advanced options like bid simulators, audience layering, or custom conversion values.

This limits their ability to optimize performance.

Try testing out some of these additional campaign or ad group layers to understand the potential outcomes, and use audience insights to refine targeting.

Best Practices For Smart Bidding Success

Smart Bidding can be a game-changer in the results of your campaigns, but it’s not a magic wand.

To get the most out of this powerful tool, you need to pair automation with thoughtful planning and regular oversight.

By following these tried-and-true best practices, you’ll not only improve campaign performance but also avoid the common pitfalls that trip up many advertisers.

1. Feed The Algorithm With Clean, Accurate Data

Conversion tracking is the backbone of Smart Bidding. Errors in tracking or unverified conversions can lead to misguided optimizations.

When fed with clean and accurate data, the algorithm has the

best chance to produce fruitful results.

But when fed with inaccurate data points, your Smart Bidding strategy will wreak havoc on your performance.

Garbage in, garbage out.

Be sure to regularly audit your conversion tracking setup. Ensure every key action (purchases, form submissions, calls, etc.) is tracked accurately and attributed correctly.

For ecommerce campaigns, make sure to include transaction values to correctly use Maximize Conversion Value or Target ROAS strategies.

2. Set Realistic Goals

Unrealistic CPA or ROAS targets can choke the algorithm, resulting in limited impressions or poor bid adjustments.

If you’re not sure what to set your campaign targets at, review historical campaign datasets to set achievable targets.

For example, if your average CPA is $50, don’t set a Target CPA of $20 right away. Start closer to your historical average and adjust gradually.

This also pertains to your daily budget. If your daily budget is only $50 but your average CPA target is $50, this will severely limit ad serving because it’s holding back finding the user most likely to convert.

3. Layer Audiences And Signals

While Smart Bidding works on its own, adding audience segments or demographic layers can give the algorithm more context.

Try using remarketing lists, in-market audiences, and customer match data to guide Smart Bidding towards higher-value users.

You can add audience segments as “Observation Only” to start with if you don’t want to narrow on those users specifically yet.

Depending on their performance, you can always adjust your bids up or down, or even exclude them altogether.

4. Leverage Seasonality Adjustments

Google’s seasonality adjustment feature lets you signal to the algorithm about anticipated spikes or dips in demand.

Before a major sale or holiday, input a seasonality adjustment to help the algorithm prepare for the surge in conversions.

Additionally, make sure to increase your daily budgets to account for those holiday surges.

5. Monitor Performance With The Right Metrics

Don’t rely solely on Google Ads’ automated suggestions and insights.

Do your due diligence and analyze auction insights, search impression share, and audience performance to identify trends and areas for improvement.

6. Run Experiments To Validate Strategies

Testing is critical to understanding what works.

Google Ads Experiments allows you to split test Smart Bidding strategies without risking your entire budget.

For example, say you’ve been running a campaign on Maximize Conversions, but are looking to narrow in on a specific CPA target.

You can set up an experiment to test a Target CPA strategy

against the Maximize Conversions to see what performs better for your goals.

That way, you're not dramatically shifting the behavior of the account overnight and introducing a lot of volatility into performance.

The Bottom Line On Smart Bidding

Smart Bidding in Google Ads has evolved to become an indispensable tool for PPC marketers.

Its ability to leverage machine learning and real-time data is unmatched, but like any tool, its success depends on how you use it.

By aligning your strategy with your goals, feeding the algorithm accurate data, and monitoring performance regularly, you can unlock its full potential.

Remember, automation doesn't mean you're off the hook – it means you have more time to focus on strategy, creativity, and scaling your campaigns.

With the right approach, Smart Bidding isn't just smart – it's transformational.

More Resources:

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