

## MODULE 6 LESSON 2

# Budget Management (Slidedeck)

### TRANSCRIPT

Hello, welcome to module six, lesson two, and in this slide deck we're talking about budget management. So what we're going to cover is the 80 20 principle when it comes to Google ads, what happens when you assign a budget, how different bid strategies impact budgets, and then we'll also touch on unlimited budgets. Now, I am talking about some more advanced budget management concepts in this lesson,

but it really is key to managing Google Ads, is understanding how budgets are part of the optimization process. It's not just as straightforward as setting a budget, but it actually really does impact performance as well. So let's talk about the 80 20 principle in Google Ads. So this 80 20 principle really is true within Google Ads, and essentially what it means is that 80% of your results will come from 20% of the targeting or come from 20% of the things.

So how this looks in search campaigns is that 20% of the keywords will deliver 80% of the conversions, or in performance max campaigns, 20% of the products will deliver 80% of the conversions. So essentially what we're trying to do is to nail down what are those 20% of keywords and products that are going to deliver the 80% of conversions. So often students or clients will get hung up on if you've got keywords inside search campaigns and they're not getting any impressions or getting any spend,

and they focus on those instead. My advice when it comes to your optimization is always focus on what's working and double down on that first, extract the goodness out of that, and then focus on what else can be built into targeting. So don't try and focus on the

keywords that aren't currently delivering impressions. Focus on the keywords that are currently delivering impressions and either working or not working.

Okay? So don't stress if half your keywords never convert or never spend money. The goal is to uncover the converting targeting and double down on that. All right, so this is really true. In most ad accounts, 80% of the conversions will come from 20% of the campaigns, 80% of the revenue will come from 20% of the products and so on and so on.

Focus on where the money is getting spent rather than where the money isn't getting spent. Okay? So when it comes to budget management, we don't wanna raise our campaign budgets just because Google is telling you to. Google will always tell you to raise budgets, and I'll touch on a frequently asked question about the status of different campaigns at the end of this slide deck,

but Google will always want you to spend more money. So their recommendation is always going to be increase your budget. It's not a recommendation that I take any notice of because I manage the accounts that I'm working with or the campaigns that I'm working with based on performance and not just arbitrary spend figures. So I always go back to the performance metric, that CPA ROAS figure and increase budgets once performance is there.

So if your campaign currently has a budget of \$10 a day and it's been running for two weeks and it's never converted, but it's spent \$200, you wouldn't increase your budget just because Google is telling you to because you're just going to expect the same performance. You're gonna spend money and not convert. So what we prefer to do is we raise budget or we make budget changes off the back of performance.

So if performance is there, increase budgets if performance isn't there, decrease budgets, but we don't increase budgets arbitrarily just because the campaign has more potential to spend more money. That's not an indicator of campaign performance. So if your campaign is not performing, you need to do some campaign optimization before

raising budgets, and I cover that in module seven. You don't wanna raise budget and spend more money and get more of the same.

So focus on optimizing for conversion performance and then raise budgets. So we use budget as a key optimization lever inside our client accounts, and we teach this inside module seven. So focus on allocating budget to top performing campaigns and then when those are maxed out. So when you've maxed out the potential of those campaigns, then look at allocating any leftover budget elsewhere.

I'll explain what that looks like. So often we'll have students that might come in and they've been running ads for a couple of weeks and there's one key campaign that is outperforming the rest, but they still have the same budget set against each campaign. So they might have \$10 on the performance max and \$10 on the search, but the performance max is converting at three times the rate of the search.

It makes more sense to instead shift that search budget over to performance max, follow the money, follow the conversions, try and extract as much as you can out of the converting campaign, and then move on to allocating more budget to the search once that's converting. So you don't need to just keep equal budgets across different campaigns, shift around campaign budget allocation depending on the better performing campaigns.

Okay, so essentially the budget strategy is follow the money, allocate more budget to the campaigns performing best and less to those that aren't performing well. So you might have your best performing campaign at five times the budget of your lowest performing campaign, and that's okay because what we're doing is we're telling Google spend more money on what's working and less money on what's not working.

So while we're on this, I also wanna talk about reducing budgets versus pausing because inside module seven and during module four and five when we were setting up both search and performance max campaigns, I got you to set the budget at 1 cent rather

than pausing the campaign. We do the same thing when it comes time to reducing budget. So say if you wanted to pause a campaign,

instead of pausing it with the status of paused, we actually reduce the budget down to 1 cent because then we can still see it in our view, and we can still remember that that's a campaign we can turn on rather than having it paused and kind of going into the abyss. Also, it makes it easier when you want to retest that campaign when you pause and un-pause campaigns that can tend to throw Google into a bit of a crisis.

So instead, reduce budget to 1 cent, and then when you do wanna run that campaign again, it's much easier to start off rather than when you are pausing and un-pausing. So just a little intricacy there that we use the 1 cent budget and that effectively pauses the campaign and it's quicker to restart when we want to re-add budget to it. Now let's talk about the implications of different bid strategies and the budget.

Okay, so when using maximize conversions or max conversion value as I taught during module four and five for both search and performance max, when you're just getting a campaign started, when they don't have a CPA or ROAS wise target applied, the budget is actually the key driver of volume and performance. So the way that this max conversions and max conversion value bid strategy works is that the lower the budget,

the higher converting traffic that the campaign will go after. So when it's got a budget of say, \$10 a day, what you're telling Google to do is conserve the budget and focus on people that are really prime to convert. So Google will naturally go after the best performing people at that lower budget. They're trying to squeeze as much as they can out of the smaller budget.

Now, as you increase the budget, it's going to go after broader and broader targeting. Okay? So particularly Performance Max, when you first set the budget, it'll initially go after your warmest or your best performing audience source, and then the higher the

budget gets, the broader the audiences and the lower the conversion rates and the lower the return on ad spend and the higher cost to acquire those customers.

So you don't wanna set a new campaign and set a budget of a hundred dollars straight away because Google will essentially blow that money and you won't get necessarily great results from it. So we kinda have to start at this lower level of \$10 a day when we're on that max conversions or max conversion value bid strategy. And then we incrementally increase until we've hit that spot where we've scaled the campaign to a point where it's at our CPA or ROAS target,

and we've hit that sweet spot of budget where it's spending the daily budget and it's also meeting our campaign goals. Okay? So initially when you set a smaller budget, it'll likely overperform, so the CPA will be lower than the goal, and the ROAS will be higher than the goal because you're telling Google, I want you to squeeze as much as you can out of this.

The higher and higher you scale, the lower the ROAS, the higher the CPA. So it's kind of like when you're looking at keywords, when you're first going after the most targeted keywords, you're likely going to get better results. And then as you scale your campaign, you're going to need to go after broader and broader themes, okay? Because you're widening your audience targeting,

and therefore you can't expect a broader themed keyword to convert as well as a really targeted keyword. The same is true with budget. The higher the budget, the broader the audience pool and the lower the conversion rate. So budget will directly impact the results for campaigns on maximize conversions or maximize conversion value. All right? So we recommend starting with around a \$10 a day on those campaigns and then increase or decrease based on performance.

So if at \$10 a day after a couple of days it's overperforming, it's getting conversions and it's better than your goal, then you might increase it by another \$10. What happens for a few days when it's at \$20? Okay, if it's still overperforming after a few days, let's increase

it to \$30. And then you're trying to just incrementally increase over a few week period till you get to that sweet spot where it's spending enough that it's still within your CPA or as goals when you are using a CPA or ROAS target on top of those bid strategies,

that doesn't apply because instead of the budget telling Google how much to spend, the ROAS or the CPA target tells Google how much to spend. So if you're using maximized conversions with a CPA target of \$30, you're telling Google get as many conversions as you can as long as those conversions are under \$30 CPA. All right? So you're giving it a goal,

whereas when you are using max conversions without a goal, you have to steer Google and say, get as many conversions as you can within a \$10 a day budget or within a \$50 a day budget. So without the CPA or the ROAS target budget is a key driver of the volume with the CPA or the ROAS target, or when you're using a manual bid strategy,

you can set higher budgets and Google won't keep spending unless the inventory is there. Okay? Now, that can be really hard to wrap your head around, but I'll just go back to when you are using max conversions or max conversion value. The directive you're telling Google is get as many conversions as you can. Now, they might only be able to get one conversion,

but they're going to keep spending and spending and spending the full campaign budget because you've allocated it to them. So they're going to just keep spending it because they're going to try and get as many conversions. However, when you've got that CPA or ROAS target, you are telling them go for your life and try and get as many conversions, but you have to stick within these gold parameters.

Alright? So budget is not a key driver of volume when you have that CPA or ROAS target enabled. Now you might be asking, why don't we enable that CPA or ROAS target from the start? And essentially it doesn't work properly unless you are at the point where you're

getting about 30 conversions a month. So one conversion per day, and then you can apply the CPA or RISE bid strategy.

So that's why at the start, we recommend start with the campaign bid strategy of max conversions or max conversion value without the CPA ROAS target. And then once you're hitting those thresholds, which I teach in module seven, once you're hitting those thresholds, then let's add the CPA or ROAS target, and then it's a lot easier to manage budget because budget is not the key driver of volume.

But until then you have to do that step up work of increasing the budget and evaluating the performance as a result of that. Then when you switch to the CPA or ROIs target, that target becomes a budget lever. Okay? Now let me explain that. When you are using a CPA or ROIs bid strategy with a target enabled tolling, the target will also impact the budget.

So for example, if your current CPA target is set to \$30 and the campaign is performing well, it's currently over the last 30 days, got a CPA of \$25, so it's \$5 below target, and you think, okay, I wanna get some more out of this. It's currently spending its daily budget and I want to increase volume because it's performing better,

then the goal and I want to get some more conversions out of it. Increasing the CPA target will increase the audience available to Google and therefore will increase spend. So if you say increase the target from \$30 to \$33, suddenly you're telling Google, okay, those people that convert at \$33, now you can target those people as well. So it suddenly gives Google more people to target and it'll spend more.

Okay? On the other side, if you're using a ROAS target of say, 400% and you want to increase spend decreasing your ROAS target, so you're saying to Google, instead of getting 400% return on ad spend, I want to get 350%. That will also increase the audience available. And that's why in module one I explained that the higher the ROAS target,

the less people available that Google can target. So the goal shouldn't be just to get as high a ROAS as possible, because if you increased your ROAS target from 400% to a thousand percent, suddenly you're telling Google all those people that were previously converting at 400%. You cannot target any of them. You have to target only people that are gonna convert at a thousand percent,

and it really restricts your audience targeting. Now, I use this strategy frequently. If I notice that a campaign is overperforming and I want to bring things to the goal ROAS or CPA. So if I have a client and their current CPA goal is 400%, but the campaigns are performing on average over the last 30 days at 500%, I need to project manage Google.

And temporarily I might shift that ROAS target at the campaign level to 350%, which is telling Google go after some more people. And then once my average ROAS is back up to my goal, so maybe back to 400%, then I'll change my ROAS targets back to 400% at a campaign level. So just because you have a campaign set to 400% ROAS or \$30 CPA doesn't mean Google will always achieve that.

So we need to toggle those ROAS and CPA targets in order to steer Google in the right direction and increase volume, decrease volume, decrease spend, increase spend, and so on. When it comes to raising budgets, this will only increase spend if you are initially limited by budget. So your campaign has a status limited by budget, or you increase your targeting.

So that might mean that you decrease your ROAS target or you increase your CPA target or you add in new keywords. So increasing your targeting that way, or if you're using maximize conversions or maximize conversion value without a CPA or ROAS target. So raising budgets will not increase spend if Google doesn't have the audience to go after. So if you have a campaign on a CPA or ROAS target and you increase the budget from a hundred dollars to \$10,000 a day,

they're not going to spend \$10,000 a day unless there's legitimately people that they can get to convert at the target you've set. Otherwise, they're going to max out at maybe



\$300 a day. So budgets will not necessarily increase spend unless there's a targeting behind it to back it up. Or you have the bid strategy of maximize conversions or maximize conversion value without a CPA or ROAS wise target.

So therefore, do not raise a budget on campaigns using this bid strategy if they're not yet at or very close to the campaign goal. So coming back to the point I made earlier on, don't increase budgets just for the sake of it. Increase budgets only if the performance backs it up. So let's talk about budgets and search campaigns. So if you have multiple ad groups within a search campaign,

budget will always go towards the greediest targeting. So the keywords that basically have the more search volume behind them, back to the 80 20 rule, 20% of the keywords will get 80% of the spend or the conversions or the revenue, whatever it is. So the greediest targeting or the broadest theme targeting or the keywords that a search for the most on Google will always get the most spend.

This means whatever ad group has the broader targeting or higher volume keywords will always get more daily budget allocated towards it. It's not necessarily a bad thing. Don't expect equal spend across different ad groups. Focus on the performance of ad groups and optimize from there. So don't be concerned if your budget isn't getting equally distributed against different ad groups. It won't happen.

The only way you can force Google to spend money on certain ad groups is if you have those ad groups in separate campaigns. Otherwise, a campaign budget is a free for all. Whoever jumps the highest in terms of the keywords or the ad groups will get the budget budgets and performance max. So if all products are in the same campaign, Google will also decide which products to focus on.

Which brings me back to module five where I discussed implementing a segmented product strategy. That's why that's really powerful is because then we can game that system and tell Google which products we want 'em to focus on rather than them

making that decision for us. Unlimited budgets. So what does that mean? Most of the accounts that we work with on a client basis,

we don't use a fixed budget for. So what that means is that when we are looking at our monthly budgets, or it's quite common for people to allocate a monthly amount to say Google ads or Facebook ads, what we prefer to work towards is managing based on performance rather than fixed spend. So what this looks like is saying to a client, instead of spending,

you know, that flat fee of \$5,000 per month or whatever it is per month, we're gonna spend as much as possible as long as ROAS remains above X percent or CPA remains below X dollars. So a client of mine that is a 420% ROAS, I'm trained to go as hard as possible and spend as much as possible, provided that the ROAS figure remains above 420%.

If I can't make the ROAS figure, I will reduce monthly spend in order to maintain a 400% ROAS on lower performing months, and I'll increase spend to maximize conversion potential on better performing months. This is a really important concept because we want to move towards, again, following the money, and rather than having an arbitrarily fixed budget each month is saying, I'm going to spend as much as possible as long as I'm above my account goal.

So not just cutting off spend for the sake of it, it allows you to adjust spend each month depending on performance and spend more and take advantage of months that perform better and spend less and conserve budgets during months that aren't performing as well. So let's talk about what happens when a campaign goes live. So once you assign a daily budget, essentially the campaign now is live,

all right? Once you increase that budget from that 1 cent figure, the campaign is live, you do wanna check in the interface that you are receiving impressions for those campaigns

within the first 24 hours. If you have tight targeting or restricted audiences, then it might take a little bit longer, but it can take a few days for a new campaign to kick into gear.

If after three or four days you're not seeing any impressions, it's usually an indication that the targeting is too restrictive. So there might not be enough volume behind the keywords you've chosen or maybe your settings something's wrong with your settings. So generally, you wanna check to make sure you're receiving impressions in those first few days. If that doesn't work, look at expanding your targeting and don't Google your own name.

Use our frequently asked question as well. So don't use live Googling as an indication about whether your campaigns are running or not. It's not a reliable indication, so, so I'm going to touch on a few campaign statuses that can cause confusion inside the interface. So the first one is limited by budget and what that means, so essentially it comes up as this red status inside Google ads and can often cause people to be concerned.

This is actually just Google's way of telling you that there is more potential to spend money in this campaign. So essentially they're saying, Hey, there's an opportunity to raise your budget. However, don't increase your budget for the sake of it. This comes back to our original point. Look at your campaign performance. If it's going well and you're using a CPR I bid strategy,

you can increase your budget if you have the capacity. So if you have more budget, you can spend only increase it if the campaign's performing at or above goal. So what this means is you can expect more of the same performance, just a higher volume. If it's going well and you are not using a CPA bid strategy, you can increase in smaller increments.

So if that's, if you're using maximize conversions or maximize conversion value without the target, then increasing those say \$10 increments. If the campaign is not going well, don't increase it. So don't increase budget for the sake of it. Who cares if it's limited by budget? We don't want to increase budget and just expect more of the same and get more poor performance.

We have a frequently asked question on this as well. Another one is limited by bid strategy. This means that Google think there is a better bid strategy for the campaign. It's very common. We have a lot of these inside our ad accounts as well. It doesn't necessarily need to be reviewed. Google are trying to do what's best for their bottom line and suggest the bid strategies that are going to spend more money for them,

essentially get more revenue in their pocket, and that is irrespective of performance. So don't worry if it says limited by bid strategy. Essentially Google is saying, Hey, we think you should try this bid strategy instead, but that is not necessarily in the best interest of the account. Limited by search volume. This means that Google are trying to get you to add more broad match keywords,

and again, wanting you to spend more money. If a campaign is spending and converting, it's likely not an issue because they're saying it's limited by search volume. But if you are getting impressions, getting conversions, getting clicks, et cetera, then it's still getting search volume. If it's not spending at all, then you might need to add some more targeting like keywords,

but avoid adding broad match until your CPA ROAS bid strategy is turned on. So that target is turned on and you're already at the goal. But again, it's not necessarily an indication that something needs to happen. Another one is when it's got the status of bid strategy learning, often people will get concerned that they've made changes and it's thrown the system into a bit of chaos.

So changes in bids, keywords, match types, location will not throw the campaign into learning mode. It might say it's in learning mode, but it won't necessarily be in learning mode. Okay? So bid strategy changes might mean the status of the campaign is bid strategy learning, but it's usually negligible. So for example, if you're changing ROAS or CPA targets,

don't expect the campaign to hit that new target on the first day. It'll take a few days to settle in and get accustomed to that new target. So it might have the status of bid

strategy learning, but again, it's not a bad thing, it's just an indication. And I, to be honest, I rarely even look at what the status of that campaign is.

I look at the performance of the campaign and then troubleshoot if it's not performing well. But having a status of bid strategy learning is not a reason for me to make any changes. Don't stress if you have the bid strategy learning status on, and don't avoid making changes because of it. So lastly, what budget do you set? This should be client or business led.

So at the start, when you're first working with an account, you should have your goal of say, 400% rowers or \$30 CPA. And then initially what we do usually with client is we come up with a fixed number for those first few months, okay? For the first few months, we're gonna spend X amount of dollars, and that's a discussion between the client and the client manager about what they're comfortable spending.

And then once we've hit goals and we've proven performance, then we'll move to those uncapped budgets within the performance parameters. Okay? But if you are running your own ad account or you're running ads for a client, that discussion needs to happen between you and your client, or if it's your own business, you need to set that own budget. We can give you recommendations on what a good starting budget is,

but again, it's all relative. What a good budget for one account is too expensive for another account. It's all really individual and you're done. That was a really long lesson, but it's really important to understand the intricacies involved in budget setting and how it does play a part in terms of volume and also optimization strategy as well. So I will see you in the next training video.