

The value of paid ads on social media

Target your social advertising

Managing a social advertising budget

**Video:** Components of a paid social media budget  
3 min

**Video:** The cost of advertising on social media  
4 min

**Reading:** Social media ad bidding  
20 min

**Video:** Sabrina - Conflict resolution and responding to criticism  
4 min

**Practice Quiz:** Test your knowledge: Manage a social advertising budget  
5 questions

Review: Paid social media

Course review: From likes to leads: Interact with customers online

# Social media ad bidding

In this course, the video about social media advertising costs introduced bidding strategies. This reading further describes the ad auction process, auction terms, and bidding strategies.

## How ad auctions work on social media platforms

When you post an ad on a social platform, you should have a budget, target market, and bid strategy set. Social media platforms determine which ads to run based on a behind-the-scenes **ad auction** which is the bidding process advertisers use to purchase ads. Your bid strategy dictates how much you are willing to pay for the outcomes you want from your ads. Before you bid, search for social media advertising benchmarks and average costs. Paying attention to the data for the business category you’re in and the platforms you want to use is important. This can help you position your bids in an appropriate range to start out being competitive. You might think that the highest bid in an ad auction always wins, but social media platforms also have algorithms that consider an ad’s relevance, quality, and potential for user engagement when picking a “winner” of an auction. Bidding for ad placement is competitive when the potential performance of an ad is factored in during selection. Bids are matched to audience signals that help predict the interaction rate for each ad.

## Ad auction terms

Here is a list of terms you may encounter and their definitions:

- **Spend-based automated bidding:** Set a daily budget to maximize your advertising goal.
- **Goal-based automated bidding:** Set a return on ad spend (ROAS) or cost per action target to maximize your advertising goal at a certain efficiency.
- **Manual bidding:** Manage bids based on the criteria you select to use.
- **Demographic targeting:** Deliver an ad based on user information, like age.
- **Location targeting:** Deliver an ad based on user location.
- **Interest targeting:** Deliver an ad based on user preferences.
- **Maximum bid:** Set the highest amount you’re willing to pay, also known as the ceiling.
- **Minimum bid:** The lowest amount you’re allowed to bid on a platform, also known as the floor.
- **Suggested bidding:** For manual bidding, this is a recommended bid range.
- **Bid modification:** Bid a percentage more or less than your starting bid.

## Common bidding strategies

Refer to the definitions for four common bidding strategies.

### Cost per click (CPC)

With cost per click, you are charged when someone clicks on your ad. Usually, CPC bids have a maximum CPC which puts an upper limit on the amount that can be charged per click.

### Cost per action (CPA)

With cost per action, you are charged when someone performs an action because of the ad. As examples, someone could take an action to request a quote, join as a member, provide contact information, or make a purchase. To make this bid strategy work, you must also have conversion tracking implemented on the website where the actions take place.

**Note:** Cost per action and cost per acquisition (both abbreviated as CPA) are used interchangeably but aren’t the same. Cost per acquisition is the cost based on conversions only, and excludes all other actions that haven’t been defined as a conversion. A conversion isn’t limited to a purchase, but can be any action an advertiser has defined as a conversion. Cost per acquisition is also different from Customer acquisition cost (CAC) which is the overall cost of acquiring a paying customer.

### Cost per mille (CPM) or cost per 1000 impressions

With cost per mille, cost is based on how frequently an ad is viewed by a target audience. The unit of cost is per one thousand impressions (views) of an ad.

### Cost per view (CPV)

With CPV, the cost is charged only if a viewer watches a video ad for a minimum amount of time, or interacts with it, such as when they click a link embedded in the video.

## Bidding on various platforms

Availability of bidding strategies will differ by platform.

- **Facebook** offers automated, minimum ROAS, cost cap, and bid cap bidding.
- **Twitter** offers automatic, maximum bid, and target bid options.
- **LinkedIn** offers maximum delivery, target cost, and manual bidding.
- **YouTube** offers maximize conversions, target CPA, maximum CPV, and target CPM bidding.

## Key Takeaways

Understand and control your budget, target audience, and bid strategy when advertising on social media platforms. Your target audience will enable you to reach the right users. Your bid strategy will allow you to use your entire budget to pay for the most desirable outcomes from your ads.

