Ads in e-commerce

Google Shopping campaigns

E-commerce trends and seasonality

Video: Explore seasonality in e-commerce
6 min

Ungraded Plugin: Review: Off-season or on-season
30 min

Video: Use Google Ads to plan for seasonality
5 min

Practice Quiz: Test your knowledge: Seasonality in e-commerce
5 questions

Reading: Marketing for special events and holidays
20 min

Video: Optimize your e-commerce marketing strategies
5 min

Reading: Plan for seasonal events
20 min

Reading: Seasonal budgeting and bidding
20 min

Practice Quiz: Activity: Set seasonal budgets and bids
1 question

Reading: Activity Exemplar: Set seasonal budgets and bids
10 min

Discussion Prompt: Which seasons do you shop online the most?
10 min

Practice Quiz: Test your knowledge: How to optimize an e-commerce businesses' sales
5 questions

Review: Ads and campaigns in e-commerce

Seasonal budgeting and bidding

Earlier in this lesson, you learned about **seasonality**, the regular and predictable fluctuation of e-commerce traffic around special holidays, events, and weather on a quarterly or yearly basis. We discussed how considering seasonality can help you determine when your business will receive a potential increase or slowdown in revenue sales, which allows you to plan promotional opportunities accordingly.

You also learned about Performance Planner, a Google Ads tool that allows you to forecast your Search, Display, and Shopping campaigns' performance based on a given budget. In this reading, you'll learn how to evaluate data from Performance Planner to set a budget for a holiday period. You'll also learn how to effectively adjust your bids during seasonal fluctuations in sales.

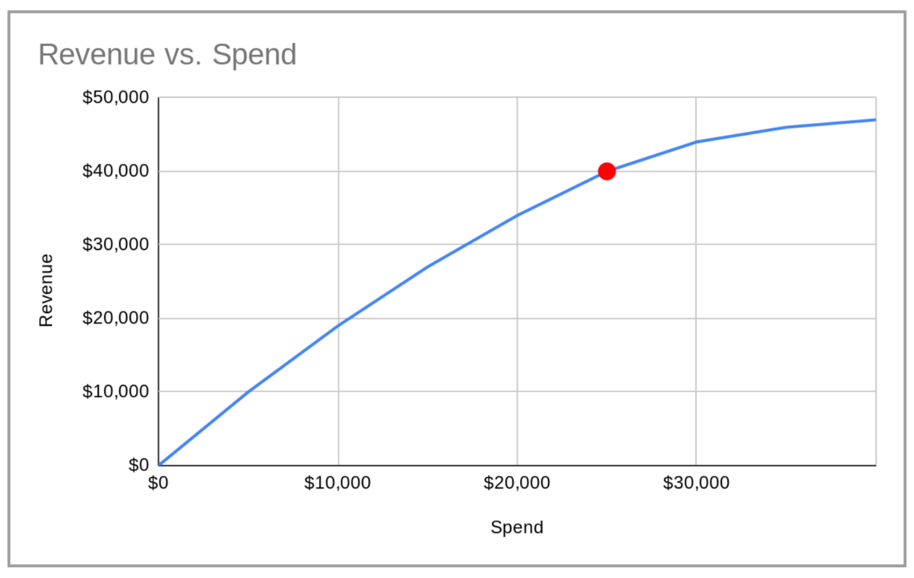
Set budgets based on business objectives

As an e-commerce analyst, you may be asked to make budget recommendations. Performance Planner and similar tools provide data visualizations that can help you analyze the data in order to make these types of recommendations.

It is important that you base your budget recommendations on business goals. For example, if maximum profit during the holiday season is your business goal, you need to determine what budget would best help you achieve that goal.

When assessing your budget for a given period, you also need to consider the law of diminishing returns. The **law of diminishing returns** is an economic principle stating that if investment in a particular area increases, the rate of profit from that investment will eventually decrease if other variables remain constant. So as you budget for an ad campaign, it is important to understand that your first $1,000 will probably be spent more efficiently than your next $1,000, and so on, until the point at which you are no longer gaining revenue.

The chart below illustrates that as you start to spend more, the revenue you gain for each dollar will be less. If your primary goal is to maximize your profit, you need to find the point at which your revenue minus ad spend is at its highest, or the **point of diminishing returns**.



In this example, your profit for a $25K ad spend is $15K, and your profit for a $30K ad spend is $14K. Therefore, spending $25K is the point of diminishing returns, as it is predicted to be more profitable than spending $30K. An ad spend of $25K would then be your recommended budget in order to hit the business objective of maximizing profit.

Ad Spend	Revenue	ROAS	Profit
$0	$0	N/A	$0
$5,000	$10,000	200%	$5,000
$10,000	$19,000	190%	$9,000
$15,000	$27,000	180%	$12,000
$20,000	$34,000	170%	$14,000
$25,000	**$40,000**	**160%**	**$15,000**
$30,000	$44,000	147%	$14,000
$35,000	$46,000	131%	$11,000
$40,000	$47,000	118%	$7,000

Set bids based on seasonal trends

If you're not using an automated bidding system, you will typically base your bids on recent performance. If your goal were to drive conversions, for example, you would look at recent conversion rates and bid similarly to your bids in those campaigns. In order to calculate an amount, you can divide an average revenue-per-click by your return-on-ad-spend target. **Revenue-per-click** is the average revenue for each individual click on all of your pay-per-click keywords and ads. To review, **return on ad spend**, or ROAS, is how much revenue is gained for each dollar spent.

Let's say you had a recent revenue-per-click of $2 and your target ROAS was 160%. You could use the following formula to determine a bid level that would help you meet that target:

(Revenue-per-click / ROAS Target = Target Bid)

($2 / 160% = $1.25)

However, there are periods throughout the year—such as around the holidays—when there is likely to be a swing in performance, and you will need to plan for these shifts. To plan effectively, you might look at year-over-year (YoY) performance to suggest how much to increase or decrease your bids by in order to make up for the projected performance shift. You can do this by comparing the previous year's performance to the average on certain days during the holiday season and adjusting your bids accordingly. For example, if you notice that the revenue-per-click averages on Black Friday are 565% higher than the typical average, you may want to bid that much higher to maximize your revenue while achieving a similar ROAS. (Note: Seasonality adjustments in Google's Smart Bidding can help you automatically make these types of adjustments.).

One way to plan how to bid differently throughout a holiday period is to create a bid calendar like the one:

Holiday Bid Calendar

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Nov 20	Nov 21	Nov 22	Nov 23	Nov 24 - Thanksgiving	Nov 25 - Black Friday	Nov 26
Nov 27	Nov 28 - Cyber Monday	Nov 29	Nov 30	Dec 1	Dec 2	Dec 3
Dec 4	Dec 5	Dec 6	Dec 7	Dec 8	Dec 9	Dec 10
Dec 11	Dec 12	Dec 13	Dec 14	Dec 15	Dec 16	Dec 17
Dec 18	Dec 19	Dec 20	Dec 21	Dec 22	Dec 23	Dec 24
Dec 25	Dec 26	Dec 27	Dec 28	Dec 29	Dec 30	Dec 31
Jan 1	Jan 2	Jan 3				

In this calendar, the different colors indicate the revenue-per-click:

- Lower than average (red)
- Average (yellow)
- Somewhat above average (light blue)
- A lot above average (blue)
- Substantially above average (dark blue)

So, for example, if your average revenue-per-click were $2, but on Black Friday, this typically increases to $5, then you would want to increase your bids on Black Friday. You could determine how much to increase your bids by using the following formula:

((Projected Revenue-per-click – Average Revenue-per-click) / Average Revenue-per-click) x 100 =
Bid Increase Percentage

(($5-$2) / $2) x 100 = 150%

If you're using automated bidding, you may not need to use this type of formula across an entire holiday season. However, it's still important for you to know when to expect increases and decreases in bids, which should lead to respective increases and decreases in ad spend and revenue on those days. With automated bidding, you may also utilize the "seasonality adjustments" feature in Google Ads, which often requires similar calculations for an expected change in conversion rates for a short period.

Key takeaways

As a digital marketer or e-commerce analyst, you will need to react to predicted shifts in performance during holiday periods and seasonal events. Tools like Performance Planner and Smart Bidding can take some of the guesswork out of projecting these shifts. It's important to understand how to evaluate the data and most effectively adjust your budgets and bidding to help you achieve your business goals.

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