

Web Marketing: Adword Metrics

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Adwords

Offered by Google

Priced by auction

The diagram consists of four rows, each with a dark green arrow pointing right and a light green arrow pointing right. The dark green arrows contain the terms 'Google', 'Ad Words', 'Match Topic', and 'Key Words' respectively. The light green arrows contain the descriptions 'Identifies ad words', 'Terms advertisers placed bids on', 'Emergency pet care', and 'Veterinary hospital and animal hospital' respectively.

Google

Identifies
ad words

Ad
Words

Terms advertisers
placed bids on

Match
Topic

Emergency
pet care

Key
Words

Veterinary hospital
and animal hospital

Maximum cost per click-through

“Max CPC”

Actual cost per click-through

“Actual CPC”

Most Expensive Words

\$54 – Insurance

\$47 – Attorney

\$47 – Mortgage

$(\text{CPC bid})(\text{Quality Score})$
= Ad Rank

Quality Score =
weighted combination of:
expected click-through rate
ad relevance and
landing page experience

Bid on Adwords

Vegetarian pizza

Frozen pizza

= good Quality Scores

Conversion rate

$$\frac{\text{Actual CPC}}{\text{Conversion rate}}$$

= acquisition cost

\$500 life time value

$$\frac{\text{CPC}}{\text{Conversion Rate}} < \text{LTV}$$

$$\frac{\$10}{2\%} = \$500$$

Business goal:

Cost of customer acquisition $<$ first
year's average revenues per
customer.

Pizza scenario:

\$100 customer acquisition $>$ \$85
potential revenue =

RISK