

Tropica Labs .



# Complete Guide to Facebook Bidding

Become Empowered AI marketer

# 1. Chapter One: Introduction

Do you know anybody who isn't on Facebook? Statistically, these people are now hard to find and this is especially true within the younger age ranges. According to the most recent statistics, Facebook is home to more than two billion people on a monthly basis. While this means many things, it's great for businesses because it's possibility the largest collection of people in any one location.

Today, ads on Facebook are a superb draw and it's not hard to see why with the sheer volume of people using the service. In years gone by, online advertising would be a process of creating an ad for the masses and hoping that it would find a small percentage of your audience. Now, Facebook uses machine learning which means your ads find your audience more efficiently thus generating a larger return on your initial investment. Every day, Facebook assesses billions of 'ad-user pairings' before then showing your ad to all the right people at exactly the right times.

Whether you're looking to get started or improve on what you've achieved so far with Facebook advertising, we have all the advice you could possible want and need today. On the whole, we're going to be focusing on 'Direct Response' targets but this isn't to say the same tips won't apply to 'Brand Marketing' objectives.

In this guide, you'll learn about Facebook ad delivery, creating a bid strategy, and general tips on how to utilize this fantastic tool we have at our fingertips. Without further ado, let's take a look!

---



## 2. Chapter Two: Facebook Ad Delivery

With Facebook and their ads system, there are two main goals they want to achieve; 1) optimizing value so businesses can reach their objectives and 2) showing customers ads they'll find relevant and interesting. In order to do this, there are three components to discuss!

**Facebook Auction** - In case you've never used Facebook advertising before, it uses a bidding system so everybody has a fair chance of their ad being shown on any given page. Once your ad goes into the Facebook auction, your bid will go up against the bids of all other people who are wanting to target the same person. Since Facebook has really been working on showing the right ads to the right people, all the ads in the auction should be relevant.

If you use Facebook (who doesn't?), you'll know that the website isn't exactly laden with

---

advertisement space which means you'll be fighting over a limited number of opportunities. With the auction itself, Facebook gives each bid a 'total value'. For the ad with the highest total value, this will be shown to the user.

**Total Value** - Although the calculation takes milliseconds, it's actually a complex formula that considers your bid, the likelihood of a conversion coming from showing the ad, and the value the user will receive from said ad (this itself is calculated using positive/negative engagement, the 'Ad Quality Panel', and post-click experience).

**Pacing System** - As the second component, the pacing system ensures that an advertiser's budget isn't just blown in one hour. Depending on your needs in the coming time period, there are two options you can choose and this'll impact how your money is spent.

**Standard Delivery** - With the first option, your money should be spent fairly evenly over the course of an entire campaign. Within this delivery method, you can then choose between different pacing strategies and it starts with 'lowest cost'. Just as the name suggests, the idea here will be to get your ads placed for the lowest cost possible.

If you set a maximum bid of \$12, for example, your bid may be discounted in auction to ensure the optimization of your budget during your campaign. Sure, you might not be successful in every auction but this delivery method allows you to be more efficient with your budget. As the campaign goes on, the size of the discount may change accordingly.

For the second strategy, the pacing is called 'probabilistic' which means the cost per result should remain consistent from the first moment to the last. Using a target cost set by you, your costs should remain stable even as you increase your budget and make other small adjustments. For this example, an advertiser might set a target cost of \$10 for each purchase. Instead of adjusting the bid as we saw in the first pacing system, probabilistic pacing changes the probability of entering the auction.

**Accelerated Delivery** - Moving away from the standard delivery options, you can also select accelerated delivery and this is perfect if you're looking to get a message out as quickly as possible. With this strategy, you'll enter every auction within your bid cap and you can spend quickly while still maintaining a level cost per result. If you're launching a new product or advertising a certain event, this strategy is certainly useful.

**Advertiser Controls** - Finally, the third component comes with controls set by the advertiser to guide the pacing systems and auctions correctly. For example, this includes

---

scheduling, budgeting, placement, bidding, targeting, and optimization. Considering the total value of your ad will have certain consequences, such as ranking during an auction, these controls need to be managed carefully.

Sure, choosing to narrow your targeting might cut down the number of auctions for which you'll be available but it might also allow you to meet your objectives within a smaller niche. Over time, you can play with the controls and see what's right for both your objectives and ROI.



# 3. Chapter Three: Bid Strategy

How much money do you want to pay to achieve your desired result? With this stage of the process, there are several misconceptions to address and, perhaps the biggest of them all, is that the biggest bid always wins. Unfortunately, this isn't the case because our previously discovered 'total value' applies to both the advertiser and the user. Just because you bid the most, it doesn't necessarily provide the most value to the user and this allows for a fair system where the pressure is taken away from the bidding value.

With this in mind, you can control the cost per result with the bid while also contributing to the machine learning systems so they know what you're happy to pay for a single result; in turn, it shows the way in which you want to achieve your optimization goals.

**Choosing the Right Bid Strategy** - Whenever you bid using Facebook advertising, there are three strategies to choose from; target cost, lowest cost, and an adaptation of lowest cost.

**Lowest Cost with a Bid Cap** - With this first option, you set a bid cap and this will prevent ever paying above this amount. Suddenly, the delivery system knows never to go above this level. If you choose not to enter a bid cap on Lowest Cost, this is essentially the same as automatic bidding (and we'll cover this in a moment).

If you want to come in under your bid cap, this is the best way to go while also keeping cost per result as low as possible. However, your costs will increase as the most effective results start to run out; there's also a risk you won't spend the entire budget. For many, they can spend too much time attempting to maintain the bid.

**Lowest Cost** - Formerly known as automatic bidding, lowest cost allows Facebook to take control of the bidding and this is ideal for beginners. If you don't have any idea of where to start with your bidding, or you want to maximize your budget, this is the solution to choose.

During the campaign, you'll save time and your budget will be utilized effectively. On the flip side, some might suggest a lack of control over the ultimate cost per result. Furthermore, we should also note that costs will increase as the most cost-effective results come and go (or after increasing your budget!).

**Target Cost** - As we saw previously, this strategy will aim for a stable cost over the course

---

of the campaign. In the middle of the campaign, the strategy will also estimate how much you can spend near the target cost set at the beginning.

If you need costs to remain stable, this is the right solution. Additionally, you can use the opportunity to learn how much you can spend while also getting close to your target cost with CPA. After the learning phase is over, you should be able to project your spending accurately; the downfall of this is that you might not spend the whole budget. Also, cost per result won't be minimized.

**How Do You Get Charged?** - With the auction process we've seen, it's important to note that its only role is to decide the winner...not the amount. When it gets to the auction stage, the charge has already been decided by the bid and the strategy you choose to employ. Often, you'll be charged less than your bid cap because, if you're the most valuable bidder, you only pay a little above the second bid as opposed to your full bid and this prevents underbidding.

## 4. Chapter Four: Creating a Bid Strategy

Before we go any further, we advise installing SDK or the Facebook Pixel since this will allow an optimized delivery of all ads. If conversions are your ultimate goal, keep this in mind at all times and follow the advice below.

**Setting a Bid Cap** - With discount pacing, you'll always pay less than your bid cap despite the price increasing over time. However, how do we set a bid cap in the first place? Well, you need to consider how much you're willing to pay for a single result. After this, you can think about the ACTUAL cost for a desired result. To be effective, your bid cap should be higher than this because, as we know, discount pricing will bring this down anyway.

Finally, you also need to think about the long-term. Sure, the user might visit your website and buy a product right now but do they also offer long-term value. Sometimes, it can be worth forgoing a sale now to encourage long-term growth and we're going to discuss more on this in a moment.

**Setting a Target Cost** - In truth, the considerations are much of the same with the amount

---



you're willing to pay and the value one user could provide over the course of a lifetime. If your aim is a website purchase and this investment is worth \$20 with a small profit of \$5, your target cost should start at \$15.

Additionally, there may come a time where you need to weigh up the importance of profitability and growth. Would you reduce or even eliminate profitability now for long-term growth and profit? For example, your campaign may offer a target cost of \$50 for each install of a mobile app. After testing, you find that a \$60 target cost is far more effective. Is it worth taking a small hit now so you see large improvements in the future?

**Improving Performance** - If you set a strategy and it doesn't seem to be working, you don't need to pull out completely. Instead, work towards improving performance; this can be done by reviewing past data and ensuring it's in line with your optimization settings. Also, you might want to switch to a higher-funnel conversion event.

As an example, let's say you're aiming for 50 conversions with a bid cap. If you aren't quite reaching this number, you might consider changing your strategy from 'purchase events' to 'add-to-cart'. Instantly, you'll see a different story and it allows for stronger performance and delivery.

Over time, feel free to play around with different creatives too. Often, people drain the original design so much that nothing else will come out. By using the tools Facebook provides, such as Audience Saturation, you'll see whether you've saturated your market; it might be time for a new direction. While on this note, the same applies to your bid strategy. For example, many people find success by removing the bid cap as it allows them to learn the exact cost per result.

Finally, we also recommend refining your audience so you're targeting all those likely to have some form of interest in your brand. Whether it's a Custom Audience (from a pixel) or a Lookalike Audience, this is a great tactic to have up the sleeve.

---





## 5. Chapter Five: Tips from the Experts

**Beginners: Use Lowest Cost** - If you really don't know what to bid, it's not a problem to use lowest cost without a bid cap. Every year, we see people jumping in without the knowledge so at least this allows you to learn.

**Be Patient** - When you make changes to the bid strategy, it's going to take some time to come into effect because the system needs to learn how to optimize it. If your ad set doesn't deliver as expected, just be patient and allow the system to learn about your ad, your strategy, and your audience.

**Use Target Cost or Lowest Cost (with Bid Cap)** - If you know the cost you're happy to pay

for each result, use one of these two options. While target cost will be perfect when scaling your spending with a stable cost per result, lowest cost with a bid cap is designed for those on a stricter budget. Alternatively, you might want to scale with less regard for maintaining a stable cost per result.

**Adjust for Different Audiences** - For the most part, we recommend keeping things simple because it can be easy to make too many adjustments; this often suffocates a campaign and limits success. However, be willing to increase the bid cap or target cost for the higher-value customers because they provide more value for your business.

**Recognize How It Works** - As we've mentioned previously, Facebook isn't a platform that favors businesses. Instead, it works hard to provide a level playing field. In auctions, the bid with the highest value, for advertisers and users, will win. By using the controls on offer, you can work with the machine learning at Facebook.

**Consider All Aspects** - When building your bid strategy, remember your business goals as well as the benefits and drawbacks of each system.

**Total Value is Key** - Don't think that pumping money into the platform is the answer because many people have tried, and failed, with this strategy. Although we're in danger of overemphasizing this point, the total value is the most important factor.

**Remember the Long-Term Opportunities** - Finally, we urge you to consider the future as well as right now. Although having someone purchase your product immediately is certainly a success, you're also pushing for long-term growth. If it takes a small hit in the short-term just to improve your branding for future years, it might be worth the investment; one day, you'll look back and appreciate the decision.

"Targeting without technology is like Driving without Wheels"

Join for a Free Webinar about - How to drive results (achieve marketing objectives) using AI and chatbots. Let the robots help!

[Join for free](#)

[Learn more about AI bidding for Facebook campaigns](#)

---