

An Explanation Of Google Adwords And Facebook Advertising Terminology

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Brief Overview: Google Adwords, Facebook Ads and most big online websites (Yahoo, Bing, Youtube, etc...) make their money by selling advertising space on their website. This is often referred to as "PPC" advertising. PPC stands for "Pay-Per-Click".

The way it works is you show an ad on one of these sites and every time a user of the site clicks on your ad, you pay the site. The user will be sent to a web page that you have chosen. You get a visitor, the visitor (hopefully) gets something they want or need, and the website (Facebook, Google, etc...) can now make money from their visitors.

Considering Facebook has 500,000,000 users, that's a lot of advertising space and a lot of money they can make. It's also a big market for you to reach.

- **Action (Facebook Only):** see *Conversion*
- **Action Rate (AR) (Facebook Only):** see *Conversion Rate*
- **Approval:** Obviously these websites need to have systems to ensure quality control and that their members are being made to feel uncomfortable, insulted or pressured by the ads they see. This involves having automatic disapproval for certain words, like if your ad has a swear word in it.

Other websites will have words that are flagged so that they're not automatically disapproved but that an employee for that website will check the ad and make a human judgement based on the website's policies.

On Facebook, this is a very delicate process that's highly inconsistent. As there's no recourse and nobody you can call or email to discuss it, it can be very frustrating. Get disapproved too many times by Facebook and your account will be suspended or barred from advertising and there's nothing you can do about it.

It's also likely that they won't accept the credit card registered for that account for any other ad campaign on the site. Once approved, your ads will start showing. Approval can take time, anywhere from 1 minute to 72 hours or more in some cases depending on the market, content and responsiveness of the site.

- **Bid:** In PPC advertising, the website doesn't determine how much you pay for the ad. You choose how much you pay. However, the website determines if your ad will be shown and just how often it will be shown.

If you bid too low, the ad won't show. If you bid too high, it will show a lot but will cost you a lot of money to get visitors and it may not be justifiable. The website will often “suggest” a bid but these suggestions are often wildly inaccurate and (not surprisingly) on the high side.

Imagine if a restaurant suggested how much you should pay for a meal to be \$100, but they would still feed you even if you pay \$10. How seriously would you take their future 'suggestions'? Bidding is a very complex and important part of any PPC strategy and is often the subject of day long seminars. *See also: Budgeting, CPC, CTR*

- **Budget:** You can set a budget for how much you're willing to spend on an advertising campaign. This is totally up to you. Let's say you have an ad where you're bidding \$1 per click, and you have a budget of \$2 per day. Then after two clicks, your ads will stop showing until the next day.

Budgets can be set per day, week or month depending on the website. Whenever the budget is reached, the website will stop showing the ads to keep you within budget. If you don't hit the budget, the remainder is not carried over to the next period. That means, if you have a \$1 left over at the end of a day, it has no effect on the next day's budget. *See also: Bids, CPC, CPM, Cost Per Conversion.*

- **Clicks:** A click is when someone puts their cursor over your ad and clicks on it. Every time someone does this, it's counted as a click. Even if the same person clicks five times on the same ad, this is still counted as 5 clicks (not as 1 click). More clicks means more traffic and usually (but not always) more customers and sales.
- **Conversion:** (sometimes called “Action” in Facebook) Often advertisers are interested not just in having people visit their site but in having them become a customer. Depending on your sales process you will have visitors encourage to take a specific action immediately after visiting your site. This varies depending on the advertiser.

One example might be having someone sign up to your newsletter. When they sign up they get a page come up that thanks them for signing up. If we put a “conversion tag” on that page, then it will tell our

advertising centre every time someone gets to that page after having clicked on one of the ads. This is counted as a “conversion”. *See also: Conversion Rate and Bonus at the end of this document.*

- **Conversion Rate (sometimes called “Action Rate” (AR) in Facebook):** The number of people who take the specified conversion action on your website divided by the number of people who get sent there. If 100 people get sent to your site via your ads, and 23 of those buy something from you, then you have a 23% conversion rate. *See also: Conversions, Cost Per Conversion*
- **CPC:** (Cost Per Click): One of the most important things to watch. This refers to how much each click is costing you. This will not always be the same as what you've bid and can often find it turns out lower. This is the number used to determine how effective an ad is and to compare it with other ads, along with CTR.

Ads in a competitive market will always have a higher CPC than ads in a less competitive market, so it's important to make sure you're comparing ads within the same market when discussing how good an ad is. Comparing with other markets is dangerous as the markets and the ads are different. *See also: Bid, Budget, Cost Per Conversion, Conversion Rate, CPM, CTR*

- **Cost Per Conversion:** This number is calculate by dividing total ad cost by total number of 'conversions'. If you know how much a conversion is worth to your bottom line, then you can calculate whether or not your ads are making you money, breaking even or losing you money. *See also, Conversion, Conversion Rate CPC, CTR, Bonus at the end of this document*
- **CPM:** (Also known as CPI) CPM stands for “Cost Per Impression”. As it's calculated per thousand impressions, hence M (Roman numerals for 1000) stands for “1,000 Impressions and therefore we have CPM. Instead of paying when someone clicks on your ad, you can pay the website just for showing the ad, like a billboard.

Generally speaking, this is not the way to go unless you have a fantastic ad that already getting a very, very high CTR. The fastest way to lose money with PPC advertising is to use CPM without fully knowing what you're doing. *See also: Bid, Budget, CPC, Impressions*

- **CPI:** *see CPM.*

- **CTR:** CTR stands for “Click-Through-Rate”. Simply speaking the number is calculated by dividing the number of clicks by the number of impressions. It's often represented as a percentage. In layman's terms, the number tells you the percentage of people who see your ad and then decide they're interested enough to click on it.

The more you specify the market you're targeting and the better an ad you write, the higher your CTR will be. Ads with higher CTR cost less money, which means you can afford to pay less and get more clicks. That is, you can get better customers, pay less to get them and have customers who are more likely to buy. CTR is very important.

What is considered a “high CTR” or “low CTR” depends on many factors, including the website, market, product, etc... Generally speaking, 5% is high on any platform, and less than 0.002% is low on any platform. On Facebook, 0.1% is very high. *See also: Bids, Clicks, Impressions, Qualified Traffic, Targeting.*

- **End Date:** Can be unspecified if you wish the campaign to be indefinite but can be specified so that a campaign ends when you have chosen for it to end. Like a ski season related campaign or during Christmas. This helps to ensure you don't have ads running that you've forgotten about so that you don't get any nasty surprises on the credit card bill. *See also: Start Date*
- **Impressions:** Impressions are the number of times your ad is shown. If the same ad is shown ten times to the same person, this is counted as 10 impressions. Every time someone does a Google search or moves throughout a website, the ads will be refreshed, resulting in new impressions for the advertisers. *See also: CPM*
- **Landing Page:** The website/webpage the user gets sent to when clicking on the ad. This is usually your website, but can also be a Facebook fan page, a “squeeze page”, etc... On most websites, the landing page will also be subject to approval with spammy pages, or pages with offensive, inappropriate material likely to be disapproved. *See also: Approval*
- **Qualified Traffic:** Traffic is the number of visitors to your site, but all those visitors may not be visitors you want. Just as a Wedding Dress shop isn't interested in having lots of men or married women visiting the store, most websites work very hard to make sure they're getting people to visit the website who are:

- 1) Their target market;
- 2) Have money, can afford the product/service;
- 3) Interested in making a purchase in the near future (highly motivated).

It's important to always differentiate between traffic that is: “qualified” and traffic that isn't and to adjust your ads, marketing and targeting accordingly. *See also: Conversion Rate, Conversions, Targeting*

- **Social (Facebook Only):** This term applies to showing ads to people whose friend likes the ad, website or fan page. This is determined by whether or not the friend is a “fan” or has clicked the “like” button on a website.
- **Social Clicks:** The number of clicks by people who saw that their friend liked the thing being advertised and then clicked on it. The closest you get to a “referral” on Facebook. *See also: Clicks*
- **Social CTR (Facebook Only):** Social clicks divided by social impressions. Can be used to gauge the importance of the fact that a user's friend “likes” the thing being advertised, within that market place. The more insular or strongly bound a community, the more likely it is to matter. The reverse is also likely to be true. *See also: CTR*
- **Social Impressions (Facebook Only):** The number of impressions where the person seeing the ad could see that their friend “liked” the thing being advertised. *See also: Impressions*
- **Spent:** The amount an ad or campaign has cost you within a specified period. *See also: Bids, Budgeting*
- **Start Date:** The date an ad began running (after approval) not always the date it was made. *See also: End Date*
- **Targeting:** Targeting is when you define which market you wish to show your ads to. If you're a wedding reception company, then you won't be targeting married couples. Some websites allow greater targeting than others. Facebook is the best in this regard and it's one area where it has the clearest advantage over Google. *See also: Qualified Traffic*
- **Traffic:** Traffic simply means when people visit your site. Unlike in the real world, people want more traffic and visitors to their site as this

results (generally) in more customers. *See also: Qualified Traffic*

- **Unique Clicks:** This is different from “clicks”. Unique clicks is designed to show the actual number of people who click on the ad. If one person clicks on the same ad ten times, this would be 10 clicks, but only 1 unique click. It depends on your industry, market or product as to whether unique clicks or plain clicks are more important.

If it's a renewable need, like buying Christmas presents, then plain clicks are more important. If it's likely to be a one-off purchase, then unique clicks matter more. In the vast majority of cases, unique clicks are more relevant. *See also: Clicks, Unique CTR, unique Impressions*

- **Unique CTR:** The number of unique clicks you get divided by the number of unique impressions you get. If you have a very broad/large market you're targeting, this number will be very similar to the normal CTR. If you have a small, specific niche market, then this number will be very different.

It's most useful for determining how motivated your market is and how much they trust marketers in your market. If your market has a reputation for dodgy salesmen, then people will be unlikely to click on an ad first time and will probably click after seeing it 5-6 times. This will result in a low CTR but high Unique CTR. The reverse is true for motivated buyer or trusting buyers, where CTR and Unique CTR will be closely related.

For the most part, it's not an overly useful metric in most cases. *See also: CTR, Unique Clicks, Unique Impressions.*

- **Unique Impressions:** If one person is shown the same ad ten times, this will count as 10 impressions but only 1 unique impression. This means that the number of “unique impressions” represents the number of people who've seen your ad whereas just plain impressions represent the number of times your ad has been shown, regardless of whether or not the user has seen it before. *See also: Impressions*

Bonus: How to figure out how much a click is worth to you...

Let's say 1 in 5 people who click on the ad and get sent to the web page actually end up signing up to the newsletter. Then we have a 20% conversion rate. If half of your newsletter subscribers buy a product from you which makes you a \$500 profit, then you can work backwards to set your advertising budget.

Let's say 10 people click on the ad, then 2 people sign up for the newsletter and 1 of those 2 people leads to \$500 profit, then you can spend \$500 for ten clicks to break even. If each click costs \$1 then for every ten clicks, you make \$490, hence, you make \$49 every time someone clicks on your ad, so you can afford to bid up to that number to beat your competition and still come out ahead.

These are optimistic figures to say the least, but I use them to demonstrate the principles at work and how important tracking and conversion reports are, as well as knowing your sales cycle.