



Metric Based Selling

Finding Budgets & ROAS

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Agenda

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- Why Metric Based Selling?
- Using Metric Based Selling to Determine Budget
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- Using Metric Based Selling to Determine ROAS
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- Exercise



What is Metric Based Selling?

A numeric way to recommend or to derive budgets based on advertisers goals.



Why Metric Based Selling?

Problem: Advertisers/Agencies feel their campaigns are **NOT successful** and/or unsure of how to determine **proper budget**

Cause: We have not identified what “**success**” is, or the client has not specified exactly what they want to achieve through advertising on AdWords

Solution: Metric Based Selling - Uses the client’s goals to set **expectations** and determine budget

Agency Actions: 1. Get key metric info needed to calculate proper budget

- SMART Goals
- Average Order of Value
- Conversion Rate
- Average CPC

The Talk Track

“AdWords is unlike traditional advertising as it is a metric based platform. I want to make sure this campaign is going to be successful for you, so I will need to identify a few key metrics that are specific to your business. Based off of that information, we can determine whether or not advertising with us will be a good fit.”



Using Metric Based Selling to Determine Budget



Step 1

Advertisers Goal

Step 2

Average Order Value

Step 3

Conversion Rates

Step 4

Average CPC

Step 5

Putting It All Together



Step 1

Identifying Advertisers Goals

SMART

To be effective, any objective should be SMART



What does a **SMART** goal sound like in our world?

- To get **15 phone** calls per month.
- To receive **5 form** submissions per week.
- To gain **7 new clients** within 30 days.
- To reach **10,000** unique users, within my target audience, per month to generate brand awareness.

*You will need to calculate the monthly goal to calculate Return On Ad Spend (ROAS) and will require conversion tracking unless goal is brand awareness.



Step 1

Identifying Advertisers Goals

“I Don’t Know” is not a good answer! Without goals, the client will be setting the wrong and possibly impossible expectations with the agency. Additionally, can the client even manage the goals they set for the advertisements?

“How do you determine success?” or “What kind of action are you looking for people to take?”

- *Visit my website, visit my store, make a purchase, sign up online, call my business, etc.*

“Great! So how many of [insert success metric here] per month would it take for you to consider AdWords successful?” “Do you have the capacity to handle that many new clients/inquiries?”



Using Metric Based Selling to Determine Budget

Step 1

Advertisers Goal



Step 2

Average Order Value

Step 3

Conversion Rates

Step 4

Average CPC

Step 5

Putting It All Together



Step 2**Average Order Value (AOV)**

The **AOV / Value Of A Customer** is simply the monetary value of a sale/transaction.

- **One-Time Value/Transactional Value (Most Common)**

Relating their goal with their AOV can help highlight how much revenue they project to gain from advertising, if the goal is achieved. This is also key is determining a sufficient budget.

“What is the average monetary value of each sale your company makes? How often do your customers purchase from you again?”



Using Metric Based Selling to Determine Budget

Step 1

Advertisers Goal

Step 2

Average Order Value



Step 3

Conversion Rates

Step 4

Average CPC

Step 5

Putting It All Together



Step 3

Conversion Rates

The conversion rate is how many desired actions are taken in comparison to how many times it was possible.

1. Online
 - a. Sales
 - b. Forms
 - c. Phone Calls (Click to Calls, Call as Conversions)

"If the main objective of your Adwords campaign is sales, it is important to focus on how many people we need to drive to the website based on the likelihood of a conversion."



Using Metric Based Selling to Determine Budget

Step 1

Advertisers Goal

Step 2

Average Order Value

Step 3

Conversion Rates

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Average CPC

Step 5

Putting It All Together



Step 4

Average CPC

The average CPC should be unspoken at this point!!! Your Google Agency Account Development Manager can run reports and presentations to assist in pitches to your clients. They can provide:

1. Vertical Trend Reports
2. Proposal data with target audience suggestions as well as impression, CPC, and click estimates based on historical data

If you use the Keyword Planner to find an average CPC, it is generally best practice to add 20% to the CPC cost. This is due to the cost, when starting out, is generally higher than an established advertiser because of the quality score. The actual CPC may be higher or it may be lower depending on other bidders at the time the auction takes place.



Using Metric Based Selling to Determine Budget

Step 1

Advertisers Goal

Step 2

Average Order Value

Step 3

Conversion Rates

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Average CPC

Step 5

Putting It All Together



Step 5

Putting It All Together

At this point, we have identified everything we need to find the proper budget for an advertiser!

1. Goal
2. Average Order / Customer Value
3. Conversion Rates (Assumed or Real)
4. Average CPC



Step 5

Putting It All Together (example)

Goal	Increase sales: 50 / month
Average Customer Value	\$150
Conversion Rate	Online: 2.5%
Avg CPC:	\$2.30



Step 5

Putting It All Together

The Formulas

AdWords Metric	Online
Clicks	$\text{Goal} / \text{Online Conversion Rate (CR)} = \text{Clicks Needed}$
Budget	$\text{Clicks needed} \times \text{Avg CPC} = \text{Budget}$



Step 5

Putting It All Together

The Formulas

AdWords Metric	Online
Clicks	$\text{Goal} / \text{CR} = \text{Clicks Needed}$ $50 \text{ leads} / 2.5\% (.025) = 2,000 \text{ clicks needed}$
Budget	$\text{Clicks needed} \times \text{Avg CPC} = \text{Budget}$ $2000 \text{ clicks} \times \$2.30\text{cpc} = \$4,600$

"Based on your average customer value, your conversion rates, and the average CPC, you will need to invest [insert dollar amount] to reach your goal of [insert client goal.] The next step is to see if this is feasible based on your target market, and also whether or not you can be profitable.





Using Metric Based Selling to Determine ROAS



ROAS

Return on Ad Spend (ROAS) is simply the return on investment from advertising

	ROAS
ROAS	$(\text{Est. Revenue} = \text{AOV} \times \text{Goal}) - \text{AdWords Budget} = \text{ROAS}$ Online: $(\$150 \times 50) - \$4,600 = \underline{\$2,900}$
Percent ROAS	$(\text{Est. Rev} - \text{AW Budget}) / \text{AW Budget} = \text{ROAS}$ Online: $(\$7,500 - \$4,600) / \$4,600 = \underline{63\%}$ Is the ROAS higher than the budget? Yes = Profit potential No = Profit potential is not likely based on goals



Objection Handling

Objection	How to Handle
"The Budget Is Too High"	"I completely understand that. We can always readjust your goal to fit an investment that you can work with and work toward that goal in the future."
Not Profitable	<i>"Bare in mind this recommendation is in relation to the assumption of the metrics we discussed. By working to improve your average order value and conversion rates, we can work towards being profitable. As I mentioned before, AdWords is a metric based system, so we will be able to use conversion tracking to track and optimize towards your goals."</i>
Target Market Will Not Sustain Budget Need	<i>"It looks like your target market volume may be too low to meet your goals. Are there any other locations you are willing to expand your marketing efforts to?"</i>



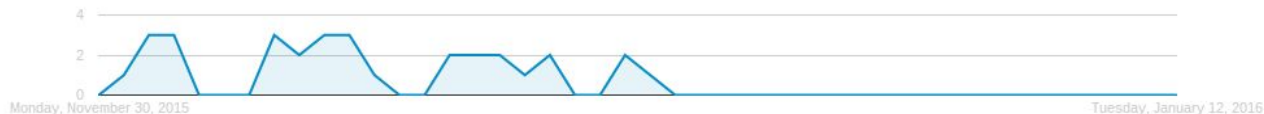
Cleaning Service Budget \$40/day Avg. CPC \$2.61



Electric Contractor Budget \$15/day Avg. CPC \$5.23



Law Office Budget \$15/day Avg. CPC \$7.03





Goal: # _____ per month

AOV: \$ _____

Conversion Rate: % _____

Average CPC: \$ _____

Formulas:

Online Goal: Goal / CR = Clicks

_____ / _____ = _____

Budget: Clicks Needed x Avg. CPC = Budget

_____ x _____ = _____

ROAS: (AOV x Goal) - Budget = ROAS

_____ x _____ - _____ = _____

ROAS Greater (>) than the budget? Yes? Profitable No? Not Profitable



THANK YOU!

