ALL ABOUT THE PRICING AND BUYING OF DIGITAL ADS

Marketo®

DIGITAL ADVERTISING PRICING STRUCTURES

Digital advertisements have some common pricing structures that run across the various types of ads. While ads have different objectives, the prices are often based on the same models. In this section, we are going to take a look at some of these models and what they mean.

Bidding

Many ad units are sold in an auction, which to most people brings up the image of a high-stakes bidding war with a fast-talking auctioneer or the feeling you get when you win a brand new Apple Watch from eBay.

Most digital advertising ad auctions don't operate this way. They use a unique formula to determine your ad's position—where your ad places on the page.

According to Google, its ad auction "uses both quality and bid to determine an ad's position". Bidding models, like Google's, allow you to have a competitive bid, even if you offer a lower bid amount, because part of its formula is based on content–relevant keywords and quality images.

In an auction environment, you can pay less than your maximum bid because you only pay what is minimally required to hold your ad position and ad format. The price you pay will increase up to your maximum bid in order to hold your position and format. Because of this structure, you can sometimes come in under budget. When this happens, what you pay is called your actual cost-per-X—where 'X' could be actual cost-per-lead or actual cost-per-click, etc. based on your pricing model.

Types of Bidding

- **Manual:**
  Manual bidding is exactly like it sounds, done manually by you or the member of your team who manages digital advertising. This person manages the maximum bids manually for campaigns and individual keywords.
- **Automatic:**
  Automatic bidding is less hands-on, as it relies on a daily average maximum budget. Then, the ad platform does the bidding for you. The goal of the automatic bidding is to bring you the most clicks possible in your budget, within your maximum. Programmatic ad buying, which we will discuss in more depth later in this guide, is an automatic type of bidding done in milliseconds by software.

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Performance Advertising Models

Performance advertising consists of four main pricing strategies, which share the characteristic that the advertiser only pays when there are measureable results. These pricing models help marketers new to digital advertising minimize their risk because they only pay for results. You can't argue with that!

Cost Per Click (CPC)

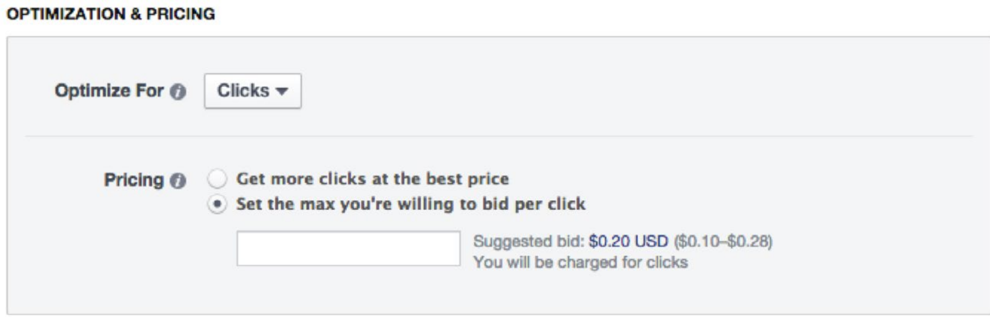
Cost per click (CPC) charges advertisers each time someone clicks on their advertisement. It is an effective pricing model for ad units that marketers are using to drive traffic toward a specific site, but is generally less effective for brands looking to run digital advertising as a brand-building, name recognition campaign. CPC is the dominant method of advertising pricing on the market today.

In this example we can see Facebook's ad platform and its CPC bidding dashboard. It suggests a competitive price for your bid.

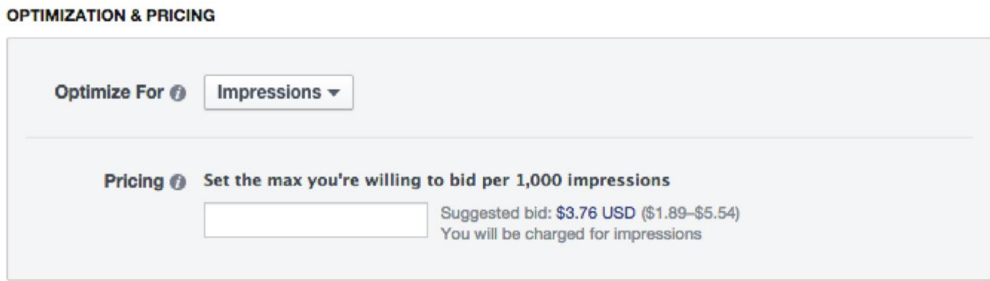
Cost Per Thousand (CPM)

Cost per mille (CPM), also known more commonly as cost per thousand, is a pricing model that charges advertisers for every thousand impressions, or every time a thousand people see the advertisement. The downside to CPM is that an advertiser is charged for a "view" and not for a "click", so it's less action-based than some of the other performance advertising pricing models.

In this example you can see the dashboard for CPM bidding on the Facebook Ad Platform. You can see that it describes the type of bidding and suggests a price that will make it competitive.



Facebook Ad Platform CPC Bidding Dashboard



Facebook Ad Platform CPM Bidding Dashboard

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Dynamic Cost Per Thousand (dCPM)
Dynamic cost per thousand or dCPM is a pricing structure that works basically the same as a traditional CPM campaign, but the key difference is that each bid is not limited to the exact bid amount. dCPM uses real-time bidding to optimize the overall spend. For example, if an advertiser sets their dCPM bid at $5, their DSP—an ad technology that enables marketers to purchase all types of ads in an automated fashion—can use Real-Time Bidding (RTB) to pick up some ads for $0.50 and others for $6.50. The dCPM pricing model relies on the DSP's ability to analyze the value of each ad and pay exactly what it's worth. The overall price of the campaign is kept at or near the bid amount, but delivers more value than a traditional CPM campaign.

Cost Per Lead (CPL)
Cost per lead (CPL) is more action-oriented than some of the other pricing models. With CPL, advertisers only pay for leads or contacts that are qualified. CPL is a good model for marketers looking to obtain the contact information of interested customers to then nurture them through other channels toward action.

Traditionally, CPL campaigns are higher volume campaigns that ask consumers for basic information on a landing page.

Cost Per Acquisition (CPA)
Cost per acquisition, also known as cost per order (CPO), is a model that charges advertisers every time an acquisition or order is placed. This is often determined by credit card transactions. A CPA focuses on driving a customer to buy immediately.

In contrast to CPL campaigns, CPA campaigns are typically lower volume, but require a consumer to submit more information, often personal details like a credit card on a website, landing page, or sometimes within the ad itself.

Optimized for Objective (oCPM)
This pricing structure, used on Facebook, optimizes your pricing model based on objective. The options to optimize for are:

- Clicks to website
- Website conversions
- Page post engagement
- Page likes
- Mobile app installs
- Mobile app engagement
- Desktop app installs
- Desktop app engagement
- Offer claims
- Event responses
- Video views
- Local awareness

TWO TYPES OF BUYING

Buying is the actual act of going into a platform and placing your bids. How you purchase your ads can affect the price you pay for them and the amount of work that you, personally, have to do. It's important to understand the different ways that you, as an advertiser, can purchase ads and then the advantages and disadvantages of each type of buying.

1. Manual Buying

Manual buying relies on digital advertisers to source, bid, create, manage, and optimize their advertising. This process takes time and often involves logging into different advertising platforms to bid on and optimize ads.

For larger purchases of impressions, advertisers may have to contact the advertising platform, request a proposal (RFP), then request an Insertion Order (IO) to get started. Once you have started, you must regularly check in on your ads to make sure that the bids are competitive.

One advantage of manual buying via the RFP and IO process is that you are essentially reserving your ad units. The platform that you purchase the ads on sets inventory aside so that you don't have to compete in an open-auction. This is compared to programmatic buying, where there are no guarantees of inventory and you bid on what's available from remnant ads—the ads that are not pre-reserved and are considered left-over ad inventory.

Another advantage of this method is the amount of control you can have over your ads. This becomes especially important if you have a small team or budget. With manual buying you can move and adjust budgets frequently between campaigns and ad units as needed.

2. Programmatic Buying

Programmatic advertising, in its simplest definition, means automatic. It is the automatic buying, placement, and optimization of media inventory, done by software, replacing the traditional human-based methods.

With programmatic buying, the manual processes are substituted by machines and software. You define your goals, and your programmatic buying tries to optimize your campaigns for those goals.

Some marketers may raise red flags, saying that programmatic buying is technology replacing what they do on a day-to-day basis, but programmatic technology usually means those same marketers are relieved of the tedious aspects of their jobs and can spend more time planning sophisticated, customized campaigns. Which is much more fun than sitting around staring at a computer and bidding on ads (in our opinion.)

Even though programmatic buying is a non-manual process, make sure you are keeping a close eye on your campaigns and making adjustments as needed. A good rule of thumb, and one we practice at Marketo, is to let your campaigns run for two weeks before making any major changes.

Real-Time Bidding

Real-Time Bidding (RTB) allows Demand Side Platforms (DSPs) to participate in real-time auctions for remnant inventory. RTB is a big part of programmatic buying.It occurs when a DSP sees a remnant ad hit auction and it automatically analyzes the surrounding data points to decide where to bid on the ad unit and at what price.