Adchieve
engineering success

White paper

Performance Max Campaigns

Increase conversions across Google's full range of advertising channels

How does Performance Max work and how could it serve you?

This white paper will introduce you to key features of Performance Max. Already familiar with the key ins & outs of PMax? Then download the ultimate Performance Max optimization guide to take your campaigns to the next level!

In this white paper you will discover:

1. Performance Max timeline.

2. Prioritization of Performance Max campaigns and how to manage your current campaigns.

3. Best practices for creating Performance Max campaigns compared to Smart Shopping campaigns.

4. Best campaign structure for Performance Max campaigns.

The source for all images in this whitepaper are anonymized Google Ads accounts.

1.

Performance Max
Campaigns

Performance Max (PMax) campaigns is the latest campaign type introduced by Google. PMax campaigns help you increase conversions across Google's full range of advertising channels. It's literally 'one campaign to rule them all'.

Performance Max aligns seamlessly with Google's current philosophy that automation is the ultimate solution to meet customer demand. In an article about Performance Max campaigns, Google explains that PMax helps you achieve your goals in four main ways:

· increasing conversions and value,
· finding new customers,
· gaining richer insights,
· make use of automation in your work

We feel that Performance Max campaigns are a great upgrade from Smart Shopping campaigns due to the extra options in creative assets. The only thing you should be aware of is how Performance Max campaigns are prioritized. You'll find information about this in Chapter 2.

Test results

According to Google, based on early testing, advertisers who upgraded Smart Shopping campaigns to Performance Max saw an average increase of 12% in conversion value at the same or better return on ad spend (ROAS). At Adchieve, we have also seen most clients running Performance Max campaigns with consistently stronger results over a long timeframe.

Performance Max

PMax in Beta stage — October 2021
PMax out of Beta stage & PMax API available — November 2021
Self upgrade tool available & new NCA feature — April 2022
New features — May 2022
Auto migration start & new features — July 2022
Migration complete — September 2022
PMax for Travel goals & new features — Q4 2022
GHA in PMax & attribution + channel path insights — 2023

Timeline: migration to Performance Max Campaigns

Google launched the rollout of the beta version in 2020. Performance Max has been fully supported by Google since November 2021. In the following months, Google introduced new Performance Max campaign features. In July, Google began to automatically upgrade Smart Shopping campaigns to PMax campaigns, which was followed by local campaigns in August.
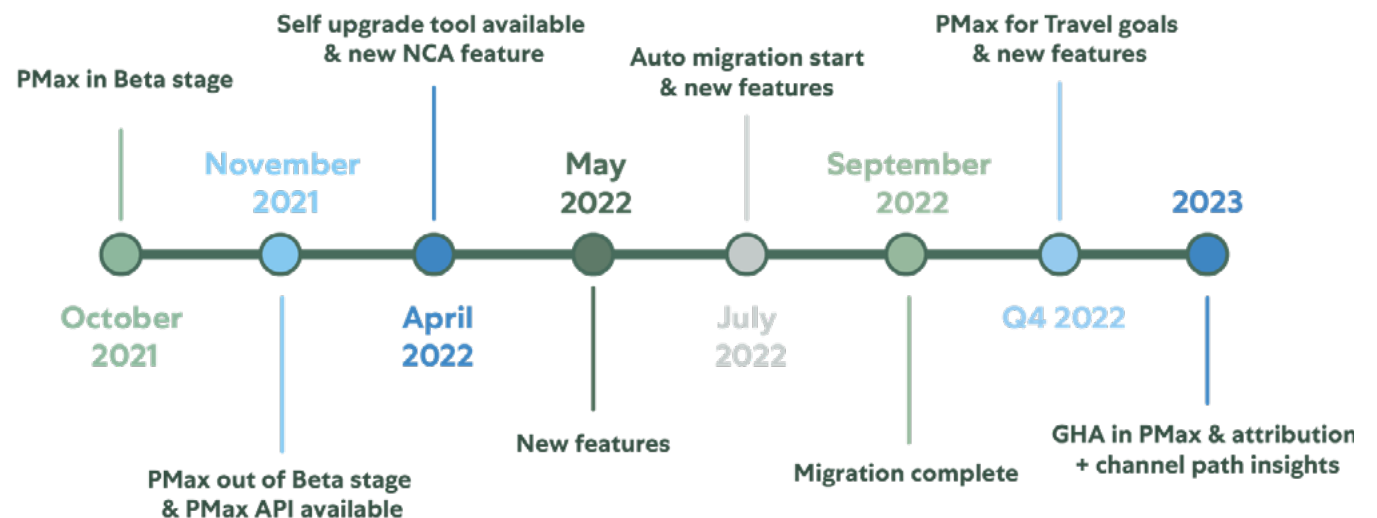
The automatic upgrade of Smart Shopping campaigns ran from July through September in 2022. Once existing campaigns were automatically upgraded, no new Smart Shopping or local campaigns could be created.

By the end of September 2022, all campaigns were automatically converted by Google. Therefore it is now extra important to have all the knowledge about Performance Max in place so that you are completely ready for your new campaigns.

2.

How does Google prioritize Performance Max?

Let's dive into the facts, looking at the priority Google gives this new campaign type and how it will impact your account.

First, Performance Max campaigns get priority on Display campaigns and Shopping campaigns. You can still create these campaign types, but if they are in the same account, the Performance Max campaigns will enter the auction and get the traffic.

For all other campaign types, ad rank is an important factor. If Performance Max campaigns has the highest ad rank, it also gets priority over YouTube campaigns and Discovery campaigns. Looking at Search campaigns, Performance Max campaigns with a higher ad rank get priority over keywords that do not exactly match the search term.

This means that most Performance Max campaigns will get priority.

Search Campaigns

If you are not using exact match keywords or your branded keywords are in a different account, then Performance Max campaigns could (and probably will) take over your branded traffic. This is bad, since your branded traffic will then subsidize some of your lower performing traffic within the Performance Max campaign. Read more about this in the [Performance Max Burger Structure](#) article.

All you can do is add exact match keywords because these keywords take precedence over Performance Max campaigns. You therefore need to make sure you have a Search campaign with your branded keywords in the same accounts as your Performance Max campaign.

Furthermore, for Search campaigns in general, the question is whether the ads from the Performance Max campaigns have a higher ad rank.

In regular Search campaigns, you have more options to make your ads more relevant by breaking them down further and adding more extensions at a lower level.

YouTube and Discovery

As we saw in the table below, the factor "highest ad rank" also applies to YouTube and Discovery. In some cases, you want to achieve a different goal with these campaigns, so you want to have more control over the content you show. In that case, it can be useful to set up a separate campaign for this goal. Your objectives and/or bids must at least be competitive enough to have a higher ad rank than your Performance Max campaigns.

Shopping and Dynamic Remarketing

Our advice would be to see your current Shopping and Dynamic Remarketing campaigns as a backup for your Performance Max campaigns.

> Note: You can now exclude keywords by adding a campaign-level exclusion list to the PMax campaign. Linking this list is now only through Google (Google Support or Google account manager).

## PERFORMANCE MAX CAMPAIGN PRIORITY

Campaign 1	Campaign 2	Entered in the auction
Search campaign with exact match	Performance Max	Search campaign
Search campaign with broad/phrase/bmm	Performance Max	Campaign with higher Ad rank
Shopping campaign	Performance Max	Performance Max
Display dynamic campaign	Performance Max	Performance Max
Youtube in-stream	Performance Max	Campaign with higher Ad rank
Discovery	Performance Max	Campaign with higher Ad rank

NOTE: THIS ONLY APPLIES WHEN CAMPAIGNS ARE IN THE SAME CID, AND THERE IS OVERLAPPING TARGETING (I.E. PRODUCT, GEO ETC).

3.

Best practices for creating PMax campaigns, compared to Smart Shopping campaigns
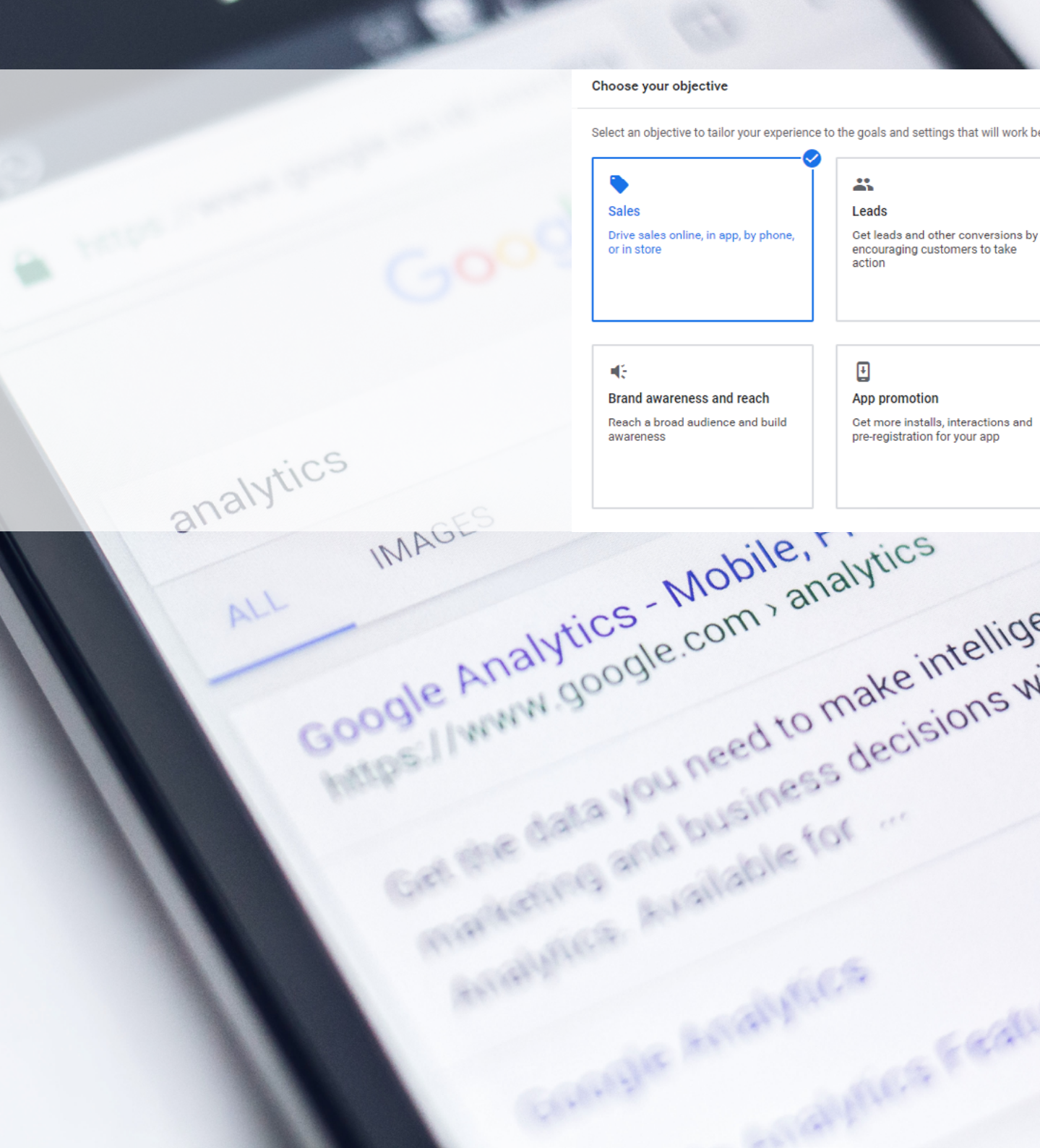
Choose your objective

Select an objective to tailor your experience to the goals and settings that will work best for your campaign

Sales
Drive sales online, in app, by phone, or in store

Leads
Get leads and other conversions by encouraging customers to take action

Website traffic
Get the right people to visit your website

Product and brand consideration
Encourage people to explore your products or services

Brand awareness and reach
Reach a broad audience and build awareness

App promotion
Get more installs, interactions and pre-registration for your app

Local store visits and promotions
Drive visits to local stores, including restaurants and dealerships.

Create a campaign without a goal's guidance
Choose a campaign type first, without a recommendation based on your objective.

A comparison with the now outdated Smart Shopping may come to mind, because Performance Max campaigns also places advertisements throughout several Google channels and inventory and only works via automatic bidding.

What to look out for compared to Smart Shopping? This is what our experts noticed when creating PMax campaigns for several large-scale advertisers:

Not just for retailers

Whereas mainly e-commerce used Smart Shopping, Performance Max campaigns will be used in more branches such as the travel industry. This is because Smart Shopping campaigns required a product feed and PMax campaigns do not.

Goal and specific conversion targets

With Performance Max, you can choose several goals for your campaign. If you want to generate as much conversion value as possible with a fixed budget and/or fixed ROAS ratio, choose the goal "Sales. Choose 'Leads' if your goal is to generate as many leads as possible given a fixed budget or cost per conversion (CPA).

Campaign specific goal settings

Unlike Smart Shopping campaigns, Performance Max campaigns allows you to choose a specific goal at campaign level to drive your campaign's performance. With Smart Shopping campaigns, you could only use the conversion action set at account level.

The benefit of setting a campaign-specific goal is that it allows you to create multiple campaigns, each geared towards a different target. So, with Performance Max campaigns, you can now use one campaign to boost your online sales and with another your store traffic.

Budget en bidding strategy for campaigns

When starting the campaign, keep your budget at least 20x the average CPA. In active campaigns, set the budget to at least 10x the average CPA (last 30 days of the account's average CPA). Also look out for '*limited by budget*' alert and use the budget simulator.

Looking at bidding, focus on conversion value or conversions or choose a target-ROAS. For retailers, it is highly recommended to set a target-ROAS so that the ratio between campaign revenues remains in proportion to costs. What the best target-ROAS is obviously differs enormously per retailer and mainly depends on the order margin.

Campaign settings

Performance Max offers some interesting new settings besides location targeting and language. One example is ad schedule: tell Google at which times you would like to advertise.

Customer Acquisition

With this feature you can set to bid higher for new customers compared to existing customers or you can set a campaign to target new customers only. This feature is also available for Search campaigns, but is not available for regular Shopping campaigns.

Final URL expansion

One very interesting feature is the Final URL expansion. This is turned on by default when you create a new campaign. The setting allows machine learning to select the best landing page that will drive the best performance based on customer intent.

It will therefore increase the potential auctions your Performance Max campaign can participate in and is always recommended to allow Google's bidding systems to then bid up or down to to get you the best results. It's recommended to exclude non-commercial pages because the quality of traffic (e.g., conversion rate) is often low. You could also opt to only send traffic to your provided URLs.
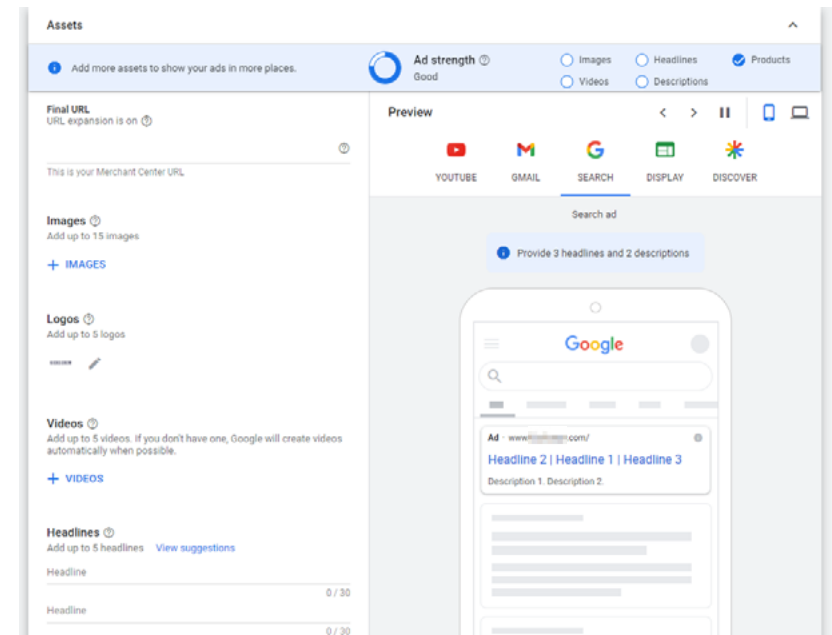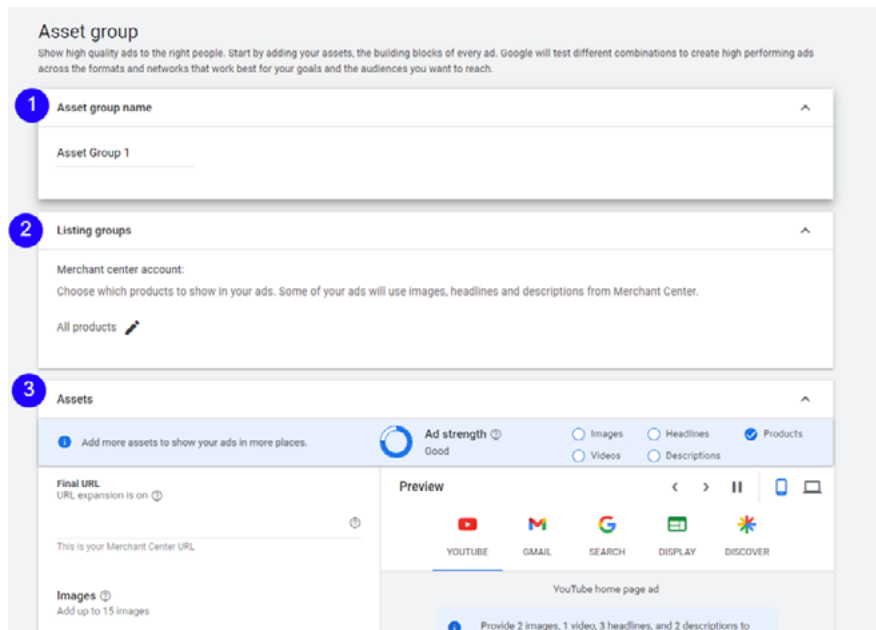
Assets groups and assets

One of the great things about PMax campaigns is the wide range of creative assets you can add to the campaign. Whereas in Smart Shopping campaigns, you can only upload one image, one short headline, one long headline, one description and one video, in PMax campaigns you can add multiple depending on the asset type.

Another interesting feature is that PMax campaigns give feedback about each asset's ad strength which allows you to easily optimize the assets by deleting poor performing assets and maintaining high performing ones.

You can create multiple asset groups (maximum 100) in one campaign to make your ad more relevant to the products that you offer.

For larger advertisers, it is advisable to create an asset group for each main category on your website. For example, if you sell furniture, create a group for the chair category, one for the table category and one for the sofa category.

Google also gives more options to select the right combination of assets for each auction and this will motivate a higher ad rank. A higher ad rank means more reach and lower costs.

Dynamic Search Ads

The biggest difference between Performance Max campaigns and Smart Shopping campaigns may be that PMax campaigns also claim ad space for text ads. PMax campaigns use the information on your website and content from your asset group to automatically create text ads. Then they automatically target traffic which are relevant and likely to convert.

Products

Just like at Smart Shopping, try to organize products in campaigns smartly. Choose whether you want all products or a selection of products and choose which value/field you want to base the selection on.

Best practises for assets

There are several best practices for assets in terms of texts, images and video:

1. Texts

- Create relevant texts that match the theme of your asset group and company.
- Use as many of the available characters as possible.
- Process as many different USPs as possible.

2. Images

- Add as many different formats as possible. This increases the chance that your ad can participate in a particular auction.
- Place your content in the middle 80% of your image.

3. Videos

For all Performance Max campaigns, videos longer than 10 seconds are required. If you do not upload a video, Google will generate one itself, but these are less attractive. It's therefore recommended that you upload a video of your own. Which video you should use depends on your business and goals. However, these best practices for creating strong video assets apply to all video ads:

- Introduce the brand in the first five seconds of the video. People who quickly skip the video will still see your brand.
- Make sure you include audio to reach people who only listen to YouTube as well.
- Tightly frame the subjects and create memorable visual elements to grab people's

attention, and increase lift in ad recall, consideration and purchase intention.
- Make people the key to the story so people can relate.

Use the ad strength indicator in Google Ads to determine whether an asset is expected to perform well or not. Replace assets that get a bad or mediocre score. Do this periodically to increase the success of your campaign. Also check that your assets are not being disapproved and don't forget to update them if they are no longer relevant to your company.

Note that front-end advertisements will look the same and you will have no influence on that. In this blog article, we dive deeper into the best practices for Performance Max assets.

Tip: If you have a specific promotion going on or if you want to respond to a specific event like Black Friday or Mother's Day, it is advisable to create specific texts, images and videos for this. It can also be useful to adapt your content to the season. For example, if you sell coats, show your thick winter coats in a beautiful winter setting during the cold months.
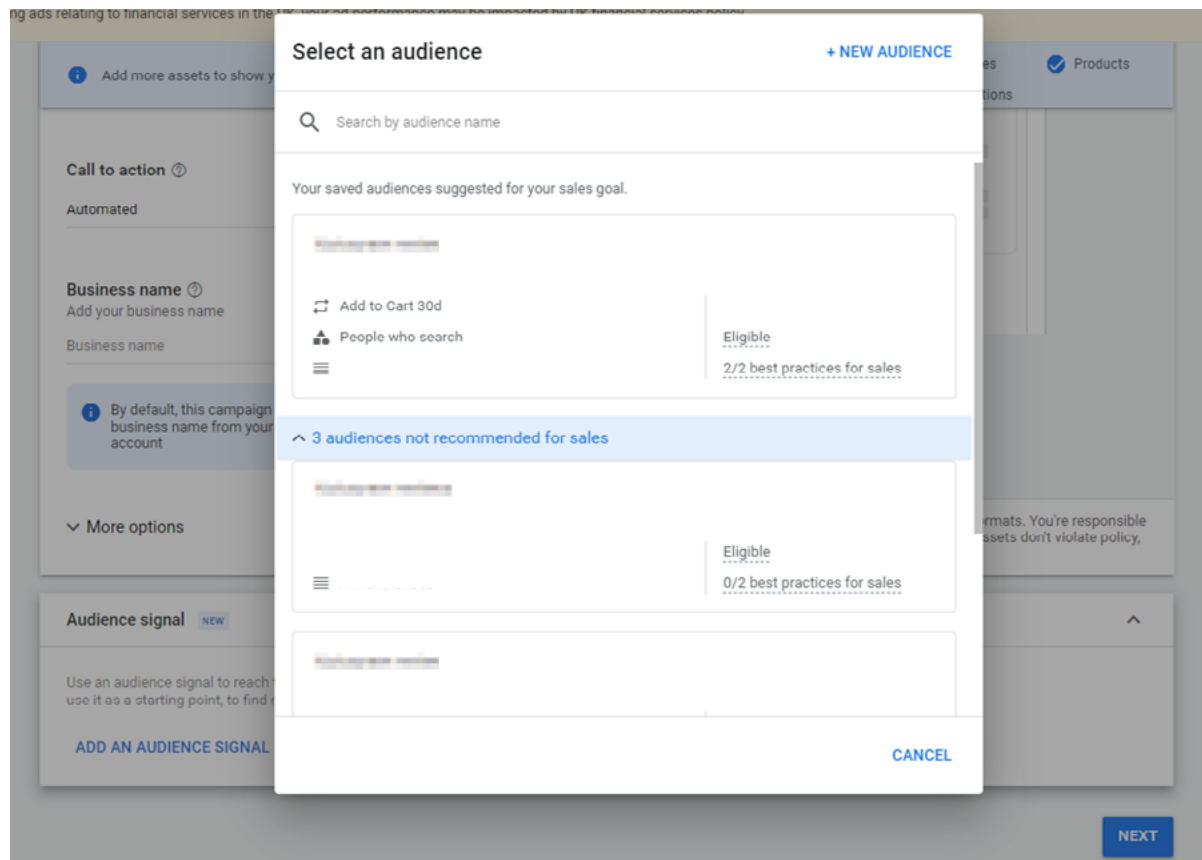
Audience and audience signals

At audience signals, select one or more target groups. This provides Performance Max with an important signal for optimization to help machine learning. Please note that Google may target users beyond the selected signals if Google predicts that will help you achieve your campaign's goals.

Make sure you add remarketing and customer match lists to provide Google with high-quality data about your (potential) customers. This will improve Google's ability to identify the right audience and bid accordingly.

Insights

One of the biggest concerns on Smart Shopping campaigns was the loss of the search term report. With PMax campaigns, you get insights on your search terms grouped in certain themes. Not all search terms are visible and not all metrics are available, but you can view the most important ones and see the change in search volume. In addition, you get interesting insights about your audiences.

You also obtain insights about the number of products you've submitted and how many are accepted. This means you don't have to go to your Google Merchant Center to check and confirm the status.

> Tip: You can use Conversion Value Rules to adjust values for conversions based on audiences.

Top search themes

Theme	Asset groups	Conversions	↓ Search volume
▽ ▦▦▦ (3)	No campaigns	Clicks	10K-100K (+36%)
▽ ▦▦ (6)	No campaigns	Impressions	10K-100K (+17%)
▽ ▦▦ (10)	No campaigns	Conv. value	10K-100K (+8%)
▽ ▦▦ (11)	No campaigns	CTR	10K-100K (+5%)
▽ ▦▦ (3)	No campaigns	Conv. rate	1K-10K (+59%)
		1.00 (+0%)	

Listing group

Last 30 days 8 Nov - 7 Dec 2021 ◄ ►

	Listing group ↑	roup	Impr.	Clicks	Cost	Avg. CPC	Cost / all conv.	% active	% approved	Products ready to serve	% ready to serve	Products submitted	Products approved	Products active
●	All products	roup 1	▦	▦	▦	▦	▦	▦	▦	▦	▦	▦	▦	▦
●	All products	roup 2	▦	▦	▦	▦	▦	▦	▦	▦	▦	▦	▦	▦

4. Best campaign structure for Performance Max campaigns

Structuring your Performance Max campaigns is an important aspect for maximizing your accounts profitability.

There are two things to remember:
1) you can only set targets at campaign level and 2) you have a maximum of 100 asset groups per campaign.

Because you can only set targets at campaign level, it's important to group products together which give you a similar contribution margin on an order. For Ecommerce, you are likely to set a Return On Ad Spend (ROAS) goal. This only includes your revenue which does not say much about your profit (read more about POAS here).

A product with higher purchasing, shipping and/or handling costs gives you little room to bid aggressively whilst maintaining profit. On the other hand, you might want to create extra traffic on products with low purchasing costs and/or more bulk or cross and upsells. Also note that a person can click on a certain product ad but may end up buying a completely different product (read more about the product advertising contribution model here).

So, you first need to understand which products are being sold on each product ad so you can calculate the contribution margin for each product ad. Once you know the contribution margin for each product, you group them together using a custom label in your product feed.

In Google Ads, you can then create multiple campaigns for each group of products (buckets) by filtering these products in the campaign settings. Set different ROAS targets for each campaign so you can be more aggressive on the product groups with high contribution margins and less for products with low contribution margins (read more about it in this blog item about creating buckets).

Product advertising contribution model

Direct advertising contribution (DAC)
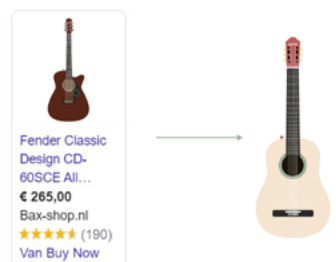Advertisement A leads to the sale of product A.

Fender Classic Design CD-60SCE All…
€ 265,00
Bax-shop.nl
★★★★★ (190)
Van Buy Now

Upsell
Advertisement A leads to the sale of A and extra product(s) such as C.

Fender Classic Design CD-60SCE All…
€ 265,00
Bax-shop.nl
★★★★★ (190)
Van Buy Now
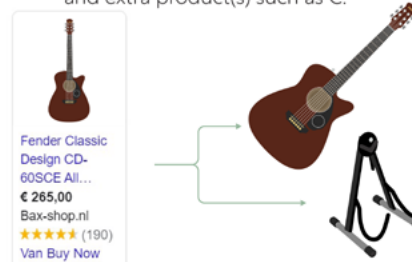
Cross-sell
Advertisement A leads to the sale of product B.

Fender Classic Design CD-60SCE All…
€ 265,00
Bax-shop.nl
★★★★★ (190)
Van Buy Now

Indirect advertising contribution (IAC)
Advertisement of product D, leads to product A purchase. Product A is also the cross-sell of the advertisement of product D.

Yamaha CPX1000 Ultr…
€ 1.035,00
Bax-shop.nl
★★★★★ (4)
Van Buy Now

Asset group structure

As you read on page 11, in each campaign you can create up to 100 different asset groups. The more granular your asset groups, the more relevant your ads will be. Relevant ads increase your visibility without increasing your advertising costs of sales.

The downside is that it's harder to create and maintain these asset groups, and you can run into the maximum of 100 asset groups per campaign. The number of asset groups you create, therefore depends on the amount of time you are able to invest.

Read more about this in our Performance Max campaign structure article.

Tip: Tip: for large-scale advertisers it's wise to create an asset group per main category on your website and set up your campaign from there. So, if you sell furniture, for example, create one asset group for each category, so one for chairs, one for tables and one for sofas. You can use traffic and sales volume to determine which new asset groups you create first.

GROUPING SMART SHOPPING CAMPAIGNS
Orders from ads

5% GROSS MARGIN

20% GROSS MARGIN

40% GROSS MARGIN

Why Google Automation Software will $\boxed{\text{strenghten}}$ you further in the future

The use of qualitative Google <u>Automation software</u> will obviously still be a no brainer in the Performance Max age. Improve your input, save time, and learn from predictable and actionable insights like POAS, Keywords and bid buckets.

Adchieve's software is made by and with industry leaders.

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