Smart Bidding

bid *(noun)*

1 an offer of a particular amount of money for something when competing against other people to buy it

2 what an advertiser is willing to pay in an auction to achieve their desired outcome

Understanding the Auction System

An ad auction is used to determine the best ad to show to a person at a given point in time. Each time there's an opportunity to show an ad to someone, an auction takes place to determine which ad to show to that person. Billions of auctions take place everyday across channels.

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Understanding the Auction System

To ensure that the winning ad maximizes value for both people and businesses, the winner of the auction is the ad with the highest total value. The total value is a combination of 3 major factors.

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Understanding the Auction System

1. **Bid.** Amount the advertiser is willing to pay
2. **Estimated Action Rates.** Estimate of whether a person converts from an ad
3. **Ad Quality.** Measure of the quality of an ad as determined from people viewing or hiding the ad and and assessments of low-quality attributes in the ad

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Understanding the Auction System

Bid + Estimated Action Rates + Ad Quality = Score

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Understanding the Auction System

4 advertisers launch campaigns targeting women between the ages of 25-45 who are interested in travel.

Advertiser A
Bid: $11
Score: 6

Advertiser B
Bid: $7
Score: 9

Advertiser C
Bid: $5
Score: 9

Advertiser D
Bid: $3
Score: 5

Understanding the Auction System

More relevant ads often cost less and see more results. In other words, an ad that's relevant to a person could win an auction against ads with higher bids. In this scenario, Advertise B delivered impressions to its target audience.

Advertiser A	Advertiser B	Advertiser C	Advertiser D
Bid: $11	Bid: $7	Bid: $5	Bid: $3
Score: 6	Score: 9	Score: 9	Score: 7

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Understanding the Auction System

Competition decides how much an advertiser gets charged. To determine how much Advertiser B will have to pay, Facebook looks at the Advertiser who stood 2nd (in this case, that is Advertiser C) to determine how much to charge. Advertiser B will pay $5.01 (as Advertiser C bid $5).

	Advertiser A	Advertiser B	Advertiser C	Advertiser D
Bid	$11	$7	$5	$3
Score	6	9	9	7

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Bid Types by Channel

Target Cost	Automatic Bid	Maximum Bid	Automatic Bid	Automatic Bid	Maximum Bid	Lowest Cost
Cost Cap	Maximum Bid	Manual Bid	Target Cost	Maximum Bid		Bid Cap
Bid Cap	Target Bid	Enhanced Bid	Max Bid	Keyword Bid		
		Target Cost				

The Bid Management Problem

Cost control matters.

The success of your campaign relies on keeping it profitable. This means getting the biggest bang for your buck by keeping costs low and results high.

Automatic vs. Manual Bids

	Pros	Cons
Automatic Bids	• No time or effort required	• Little control over costs • Limited visibility into how budget is being spent
Manual Bids	• Ability to control costs • Visibility into best performing audiences and how budget is being spent	• Requires time and effort to manually review data and make bid changes

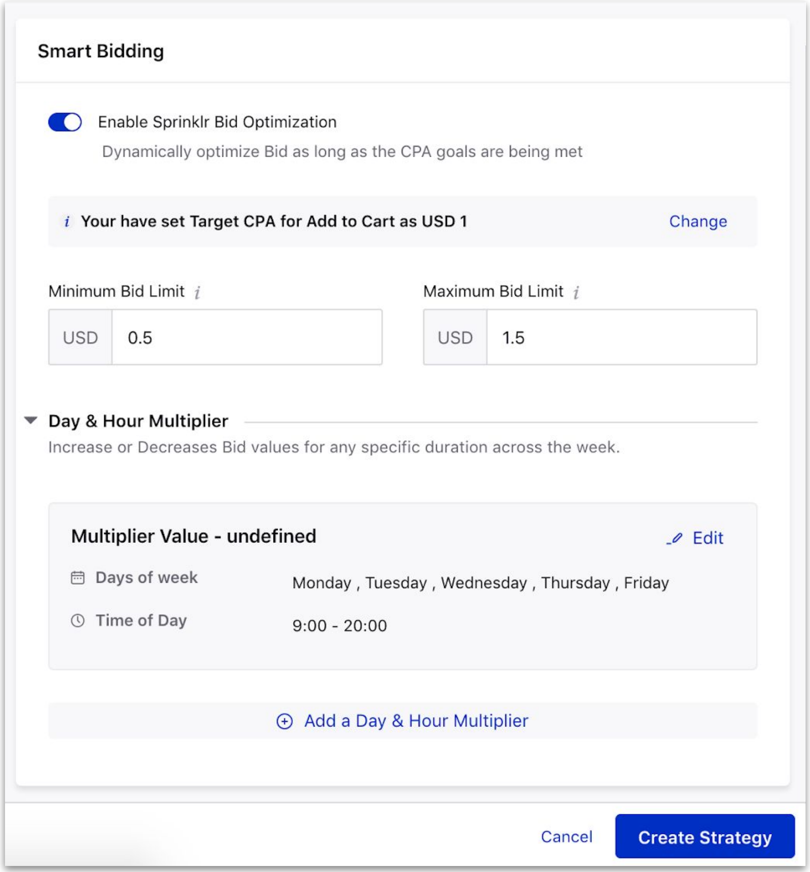
Automatic bidding has drawbacks.

It can lead to increased CPA. Because the channel is keen to spend through the entire budget allocated for the campaign, they tend to increase bids even when competition is high.

The Bid Management Solution:
Sprinklr Smart Bidding

Automating the Manual Bid

Imagine the pros of manual bidding with none of the cons. By automating the manual bid process with Reinforcement Learning, a subset of AI, Smart Bidding saves time and improves performance.



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Smart Bidding: When NO Target CPA

- Automates the manual bid optimization process with AI using Smart Bidding to save time and improve performance.
- Ensures delivery against your Campaign or Ad Set budgets by automatically adjusting bids in case of under pacing.

Additional Resources

Smart Bidding when NO CPA in Mind

FAQs

Smart Bidding: With Target CPA

- Maximizes your conversion volume while simultaneously working to lower your CPA (cost per action).
- Reach out to your Success Manager if you want to connect with the Sprinklr Product Management team for further discussions or clarity on Smart Bidding with Target CPA.

Additional Resources

Smart Bidding with Target CPA

FAQs

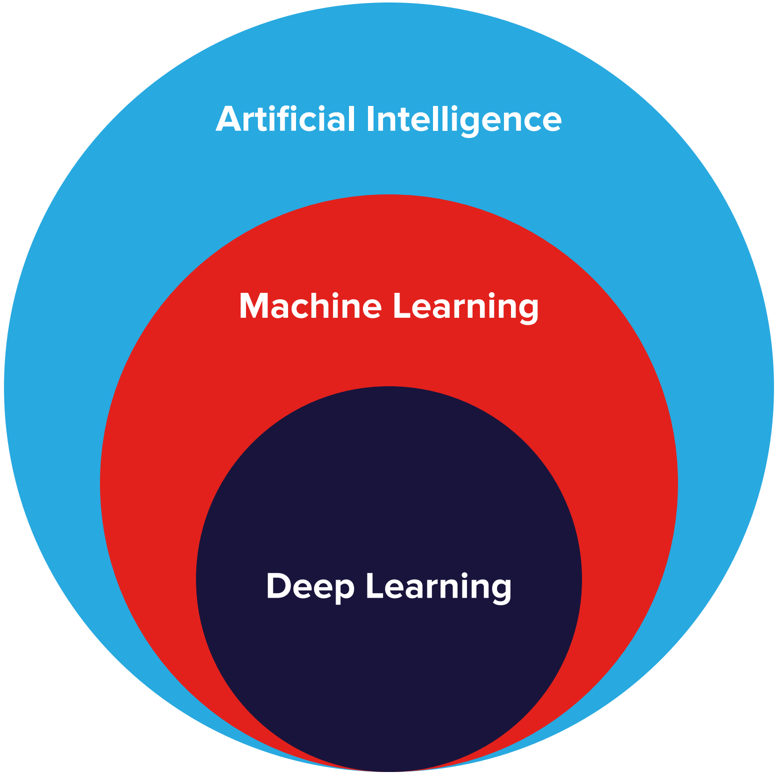
Smart Bidding: Using Bid Multipliers

- Avoid over-segmentation of campaigns into a large number of Ad Sets with relatively smaller audience pools using Facebook Bid Multiplier.
- Bid based on your business requirements at a certain hour of a particular day using Day and Hour Bid Multiplier.

Additional Resources

Facebook Bid Multiplier

Day and Hour Bid Multiplier



What is Reinforcement Learning?

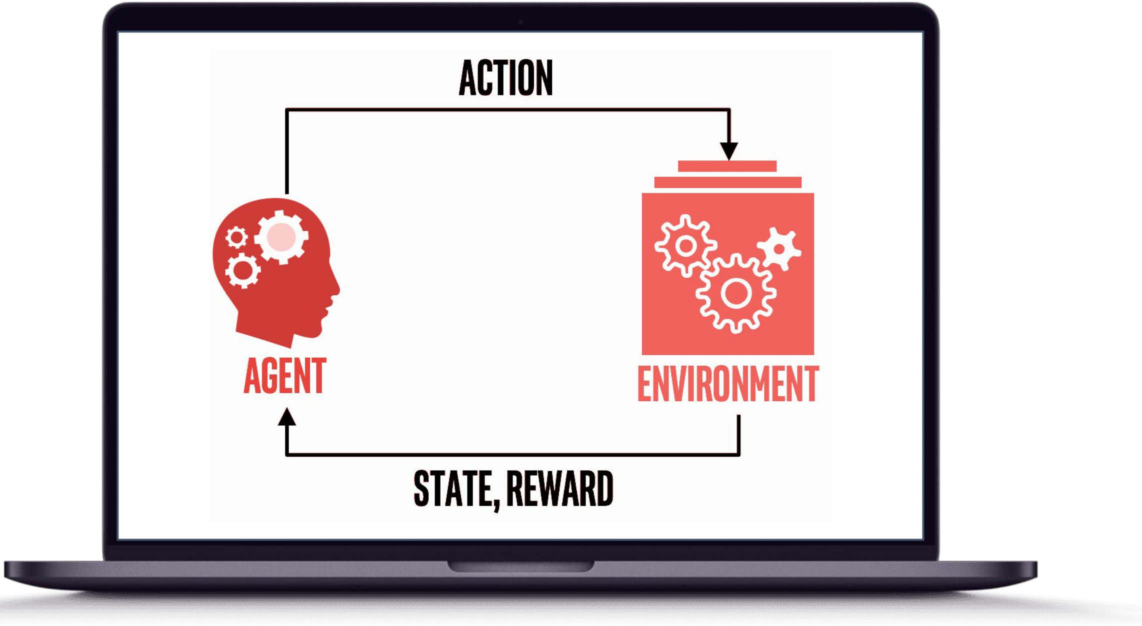
A subset of Machine Learning, AI models work to find the optimal way to accomplish a particular goal. The closer the model gets to the goal, the bigger the reward.

How Reinforcement Learning Works

Smart Bidding uses Reinforcement Learning to take actions that maximize cumulative reward.

Agent. Sprinklr Smart Bidding Algorithm
Environment. Channel's Auction System
Action. An optimization made by the algorithm.
Rewards. Lower CPA

As an action is made on the environment, a new "state" is created. This allows the algorithm to continue to learn and optimize toward the maximum reward.



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Balancing Pacing and CPA

Under-bidding can cause your campaign to underspend. That's why it's important to balance pacing and CPA when making bidding decisions.

Smart Bidding evaluates pacing and CPA to determine ideal bids, and alters those bids to ensure pacing is within an optimal range. Once pacing has reached an optimal level, the algorithm starves ads with lower bids to improve CPA without compromising on pacing.

When Low-Cost Impressions are Unavailable

Auto Bid

Automatic bidding leads to higher cost as it wants to ensure spend

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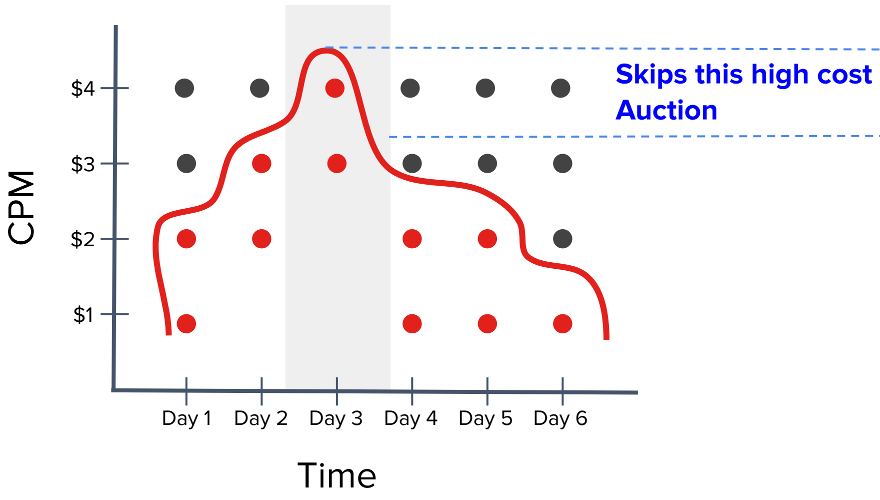
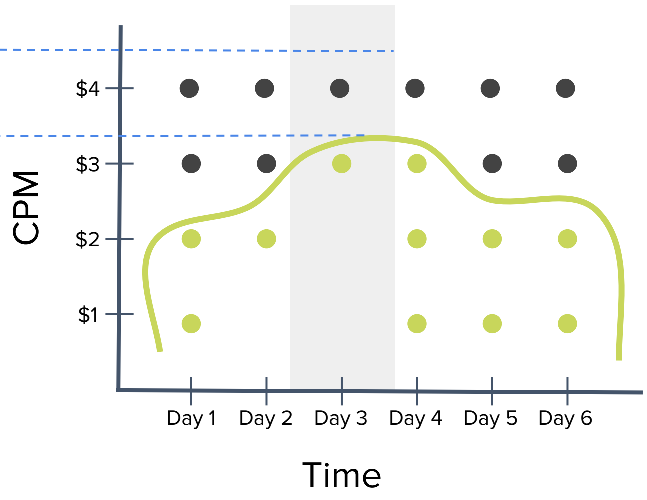
Smart Bidding keeps costs low by under-pacing and skipping costly impressions





● = Available Impression

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When Low-Cost Impressions are Available

Auto Bid

Automatic bidding can’t capture this impression as it has already spent its budget

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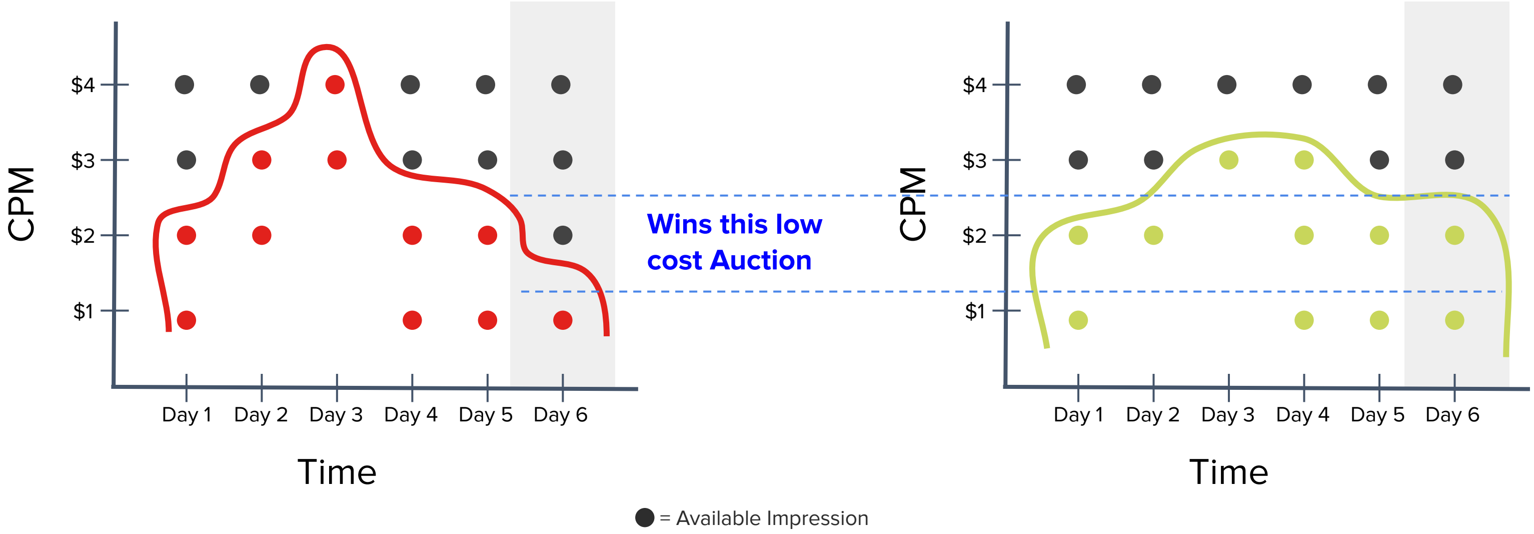
Smart Bidding is able to capture this impression as it saved budget by avoiding high-cost impressions



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Application Recommendations

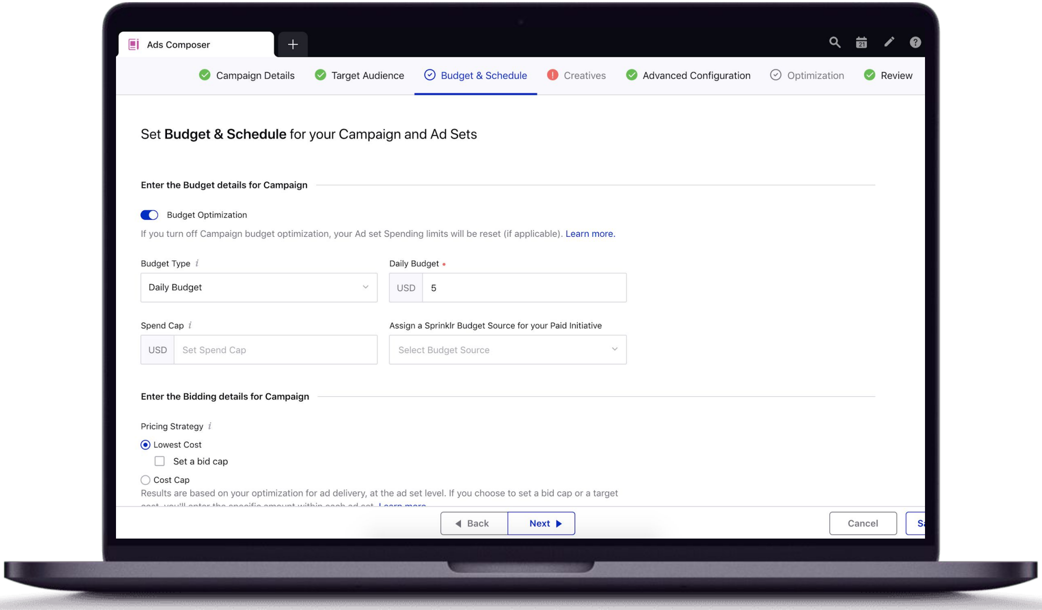
Sprinklr recommends applying Smart Bidding on an upper- or mid-funnel campaigns that include Ad Sets with a duration of at least 5 days. The Ad Sets can use a lifetime or daily budget.

Smart Bidding Reaction by Scenario

Observed Behavior	Smart Bidding Algorithm's Action
Ad Set is Severely Under Pacing (below 90%)	Increase Bids
Ad Set is Over Pacing	Decrease Bids
Ad Set is Pacing Evenly (95-100% pacing)	Decrease Bids in Small Amounts

Smart Bidding and Campaign Budget Optimization

When a Paid Initiative has Facebook Campaign Budget Optimization applied, the Sprinklr Smart Bidding Algorithm will look at pacing and CPA across all Ad Sets within the Campaign and determine the bid value. This bid value is then applied to all Ad Sets.



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Evaluating the Success of Smart Bidding

Evaluating Smart Bidding

Benchmark performance against a previous campaign that uses the same audience with a similar budget and duration.

Avoid benchmarking against a campaign during a holiday season, as they usually have higher CPAs than normal.

If applied to a campaign mid flight, compare the before & after daily CPA performance of the campaign after Smart Bidding has been applied.

Case Study: Beverage Manufacturer

CHALLENGE

The world's largest spirits manufacturer aimed to deliver media efficiencies and reinvestable budget savings on their Facebook and Instagram ad campaigns.

SOLUTION

The company tested Sprinklr Smart Bidding on campaigns across five prominent brands in North America with budget totaling $2.3M

RESULTS

27.54%
Reduction in CPMr

$620k
Re-investable Budget

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Next Steps

Next Steps

1. Identify campaigns that meet criteria highlighted in application recommendations
2. Apply Smart Bidding and monitor performance using evaluation framework
3. Reach out to your Success Manager if you want to connect with Sprinklr Product Management team for further discussions or clarity

Additional Resources

Smart Bidding Overview

Thank you!