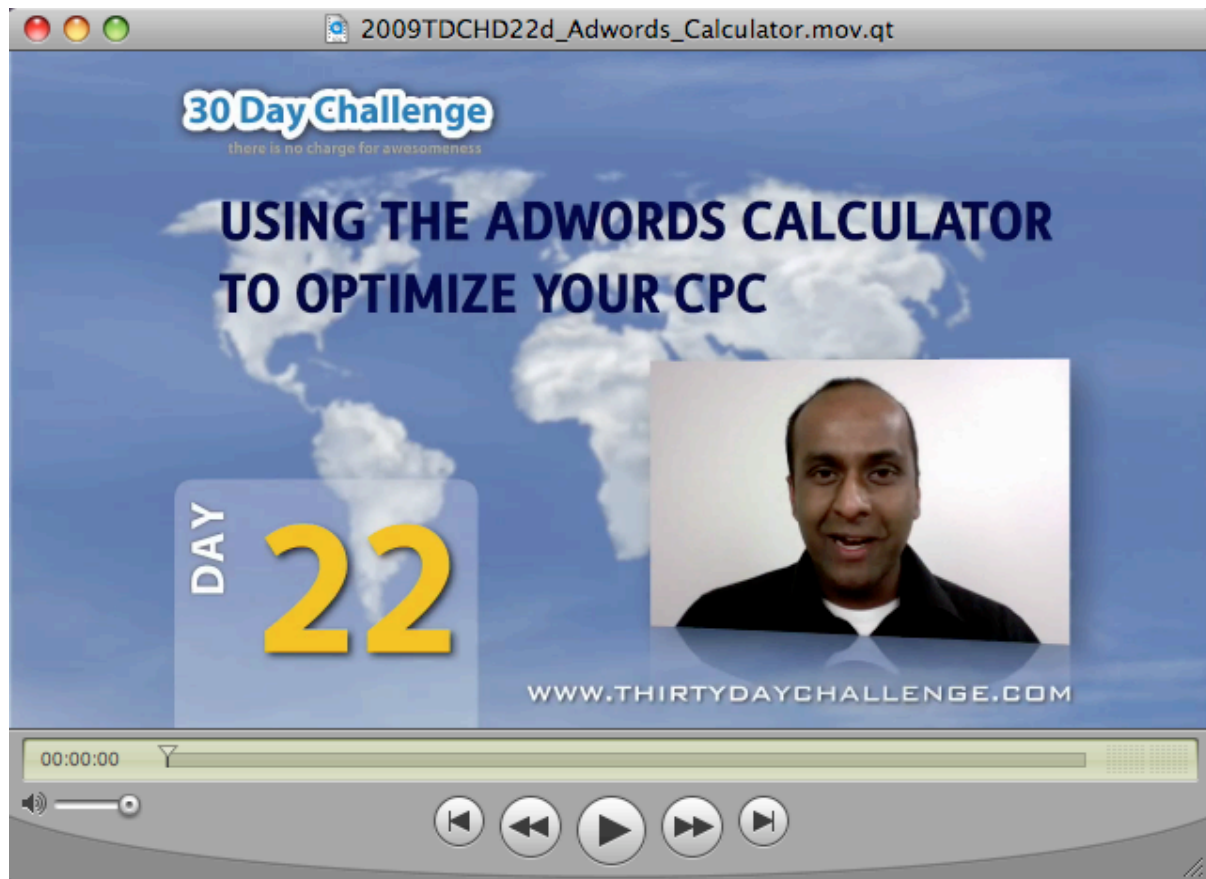




## Thirty Day Challenge 2009 – Training – Day 22

### 2009TDC22d: Adwords Calculator

Running Time: 10mins



### Intro

Hi everyone, it's Anthony from the Noble Samurai team here again and in this video I'd like to show you **how to use the Adwords Calculator** within **Market Samurai** to help you **optimise your Pay Per Click advertising**.



## Profitability

[Starts at 00:00:13]



In any advertising situation, you'll have expenses associated with paying for the advertising and, hopefully, income that is generated from that advertising.

If the income you generate from your advertising is greater than the expenses for that advertising, then you'll have a profitable situation.

**Income > Expenses: PROFIT**

If, on the other hand, the income you generate from your advertising is equal to the amount you spend for the advertising then you have a break-even situation. You haven't lost money, but you haven't made any money either.

**Income = Expenses: BREAK EVEN**

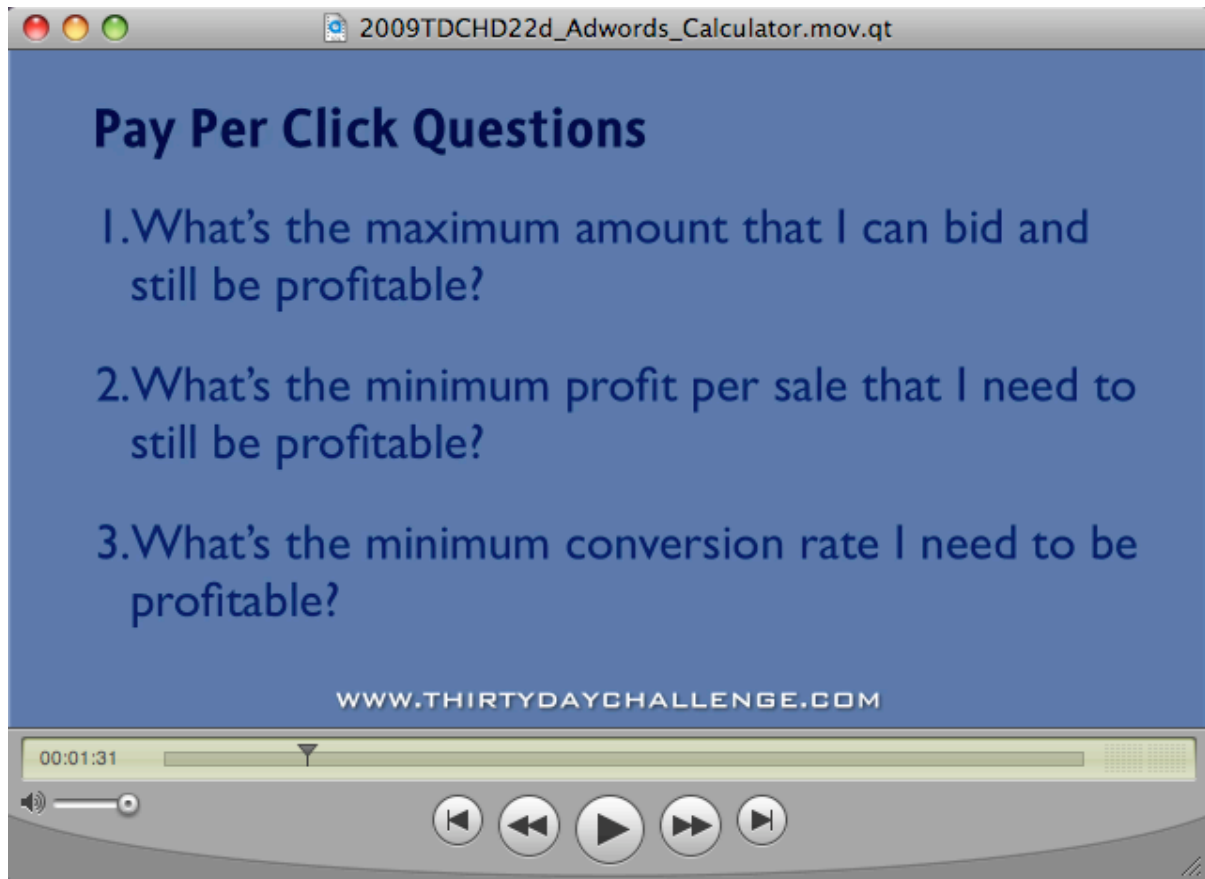
Alternatively, if the cost of the advertising is greater than the income you generate from your advertising, then overall you're losing money.

**Income < Expenses: LOSS**



## Pay Per Click Questions

[Starts at 00:01:07]



The Adwords Calculator in Market Samurai will help you to answer several important questions. Specifically, the questions we'll be covering in this video are:

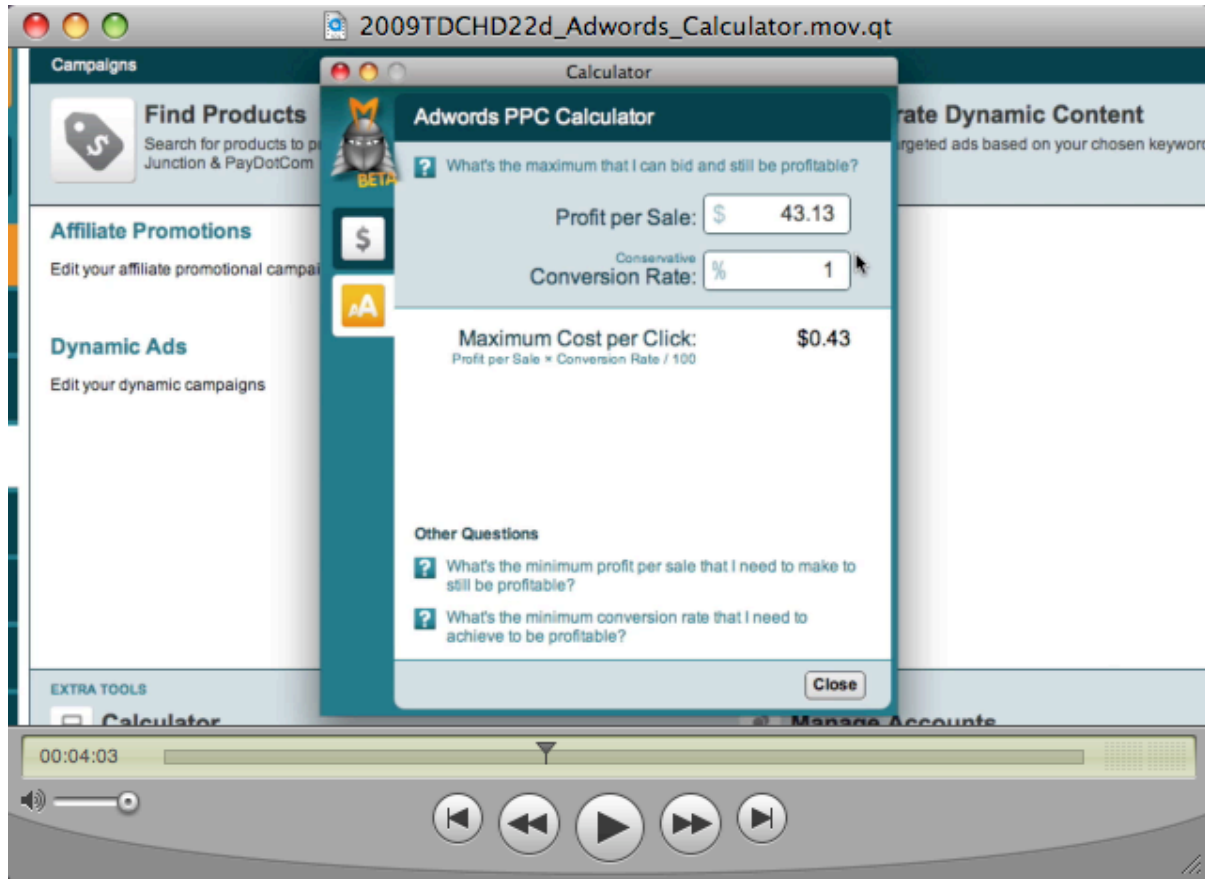
1. What's the maximum amount that I can bid and still be profitable?
2. What's the minimum profit per sale that I need to still be profitable?
3. What's the minimum conversion rate I need to be profitable?

So let's take a look at each of these questions in more detail.



## Q1: Maximum Profitable Bid

[Starts at 00:01:32]



So, question one is:

### What's the maximum amount that I can bid and still be profitable?

This question is particularly relevant if you've found a product that you'd like to promote and you're trying to determine what you should set as your **maximum long-term Adwords bid**.

To access the Adwords Calculator within Market Samurai, all I have to do is [open the relevant project and choose the required Keyword Tab] go across to the **Monetization** module and then come down [to the bottom of the screen] and click on the **Calculator** icon.

On the side of the calculator window there are currently **two tabs**:

- The **first tab** allows you to access the **Business Metrics** calculator
- The **second tab** gives you access to the **Adwords calculator**, which is the focus of this video.

Now remember, the first question we're trying to answer here is: What's the maximum that I can bid and still be profitable? So let's take a look at an example.

# 30 Day Challenge

there is no charge for awesomeness



Here's a product from Clickbank that helps people to deal with panic attacks. When I found this product, using the Monetization module in Market Samurai, the **earnings per sale was \$43.13**. This means, for every affiliate sale I make my commission is \$43.13. So now, using the Adwords calculator, I can enter in my **profit per sale of \$43.13**.

The next field asks me for a **conversion rate**. Now, unfortunately most websites don't disclose their conversion rate, so the best thing to use here, when you're just getting started, is a **conservative value** of, let's say, **0.5%**. Once you've sent **a few hundred visitors** through to a website you can usually **use your tracking and sales data** to calculate a **more accurate value** for the conversion rate of a website.

Now with a product that pays me \$43.13 per sale and using a conservative conversion rate of 0.05%, the Adwords calculator shows me that the **maximum I should bid** to ensure that I, at least, **break-even is \$0.22**.

You'll notice that if the website actually has a 1% conversion rate, then my maximum break-even bid jumps to \$0.43.

So just to re-iterate, when I have a product that I'm interested in promoting and I know what my profit per sale will be, I can **enter a conservative conversion rate to get an idea of the maximum amount I should bid for a keyword** to ensure that I always break even.

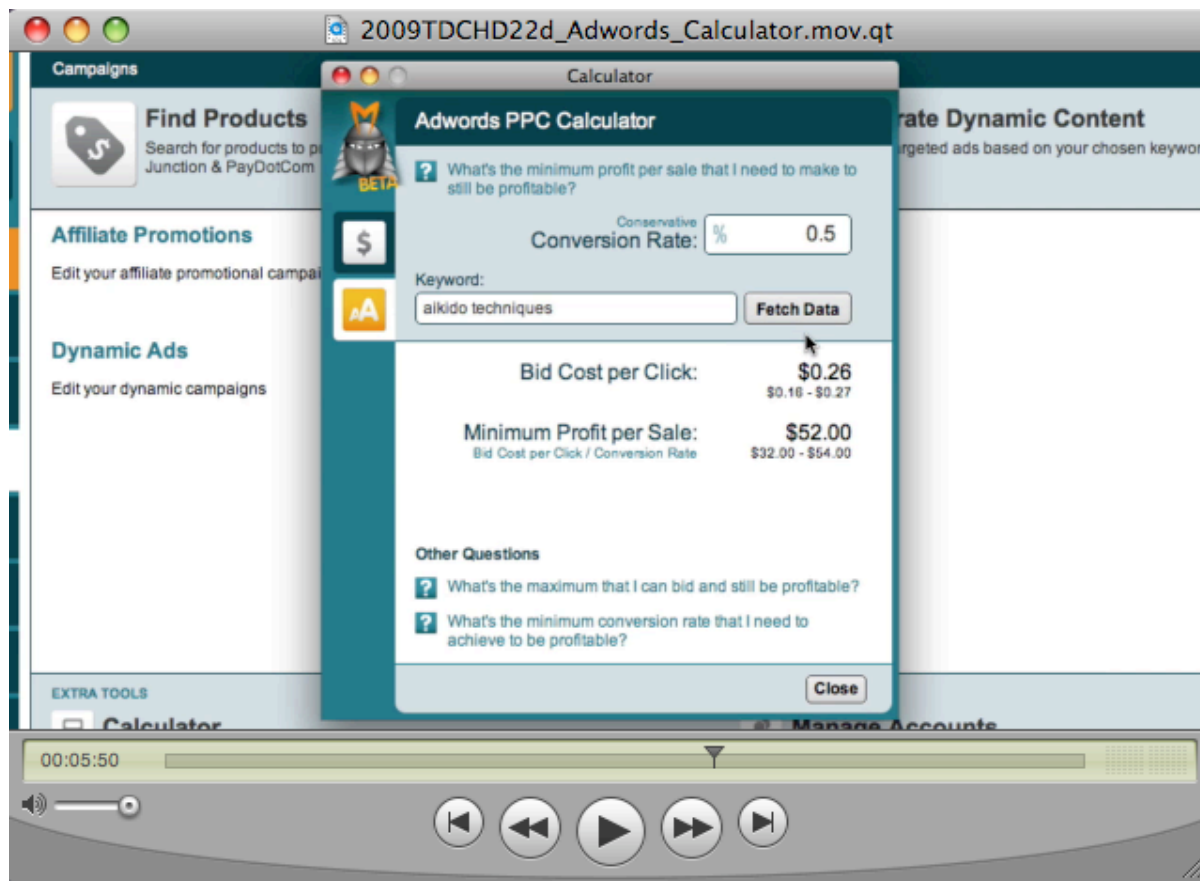
Now, as Pete mentioned in his excellent introductory videos, **when you first begin an Adwords campaign you may want to bid more than this break-even amount so that you get a better Click Thru Rate**, which can lead to a **higher Quality Score** and, ultimately, a **lower Cost Per Click**.

However, in the **long term**, using the **Market Samurai Adwords Calculator** to **determine your maximum break-even bid** is a good way to **ensure that your campaigns remain profitable**.



## Q2: Minimum Profit Per Sale

[Starts at 00:04:48]



Now the second question that the Adwords calculator allows you to explore is:

### **What's the minimum profit per sale that I need to still be profitable?**

So I'm going to go ahead and click on this question down here. [clicks the question text at the bottom of the Adwords Calculator – the interface changes]

This question is particularly relevant when you're **looking for a product to promote, that is related to a specific keyword that you're targeting.**

So let's start by entering a **conservative conversion rate of 0.5%**. Then I'll **enter a keyword** that I want to investigate. For this example I'll use the term aikido techniques - just in case you're wondering what this is, Aikido is a Japanese martial art. When I **click** the **Fetch Data** button Market Samurai goes out to **Google** and brings back **data** related to the **Cost Per Click**, related to my keyword.



## Average Cost Per Click



You'll notice that there are **three values** here. The **large number** is the **average cost per click** related to this keyword term. This **small number** is the **minimum cost per click** I could expect to pay for traffic and this number is the **maximum amount I could expect to pay for traffic**.

Now using the values that I've entered here, I can see that if the product I was promoting had a sales letter that **converted at 0.5%** and I was able to **buy traffic at \$0.26** per visitor I'd need to find a product that paid me **\$52** per sale in order to break even. If, on the other hand, I managed to find a website that had a **1% conversion rate**, then I would need to make **\$26 per sale** in order to **break-even**, which might be a little more viable.

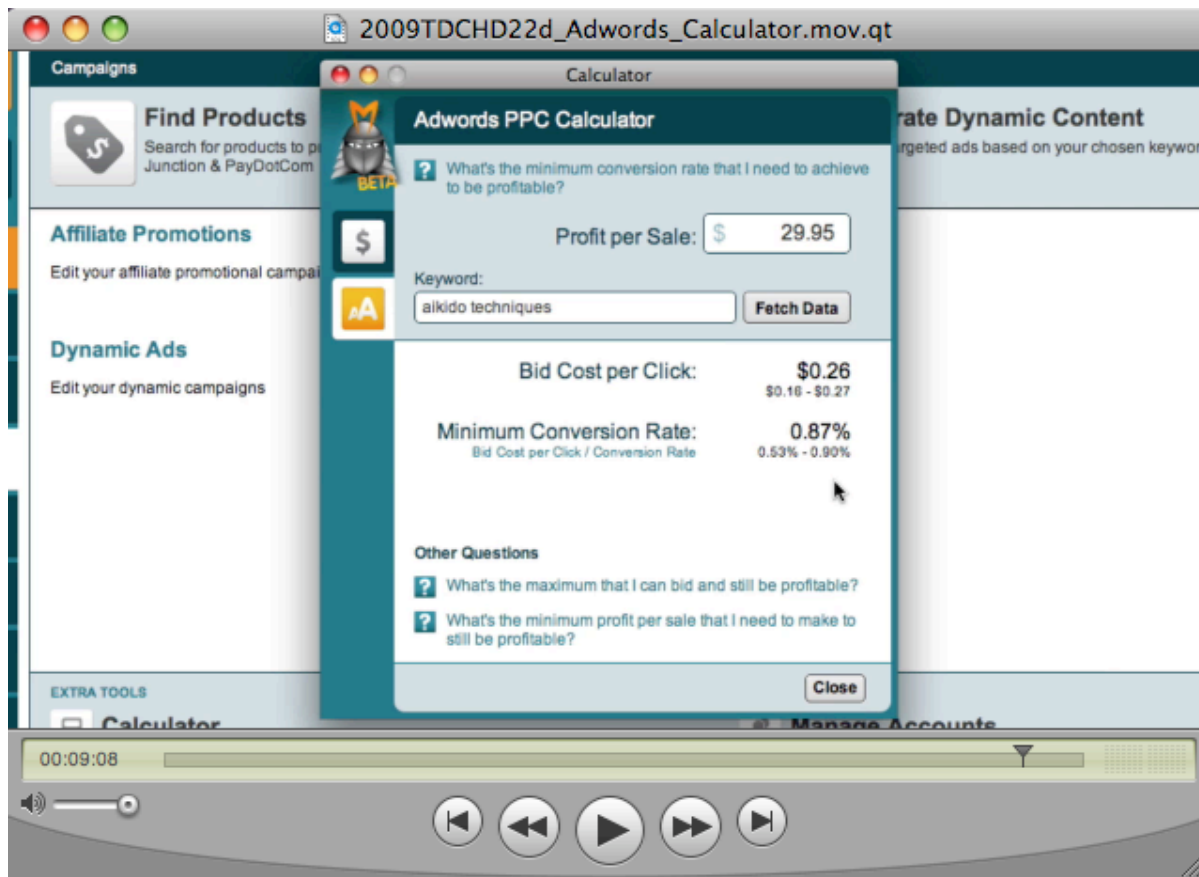
Now the reason that there are **three values relating to the minimum profit per sale** is that these values correspond to the Cost Per Click bids above. If I was paying the average cost per click of \$0.26 then I would need to find a product that paid me \$26 per sale. If, on the other hand, I managed to establish a great Quality Score, then I might be able to obtain traffic at the minimum price of \$0.16, which would mean I'd break even if I had a profit of \$16 per sale. On the other hand, if I was paying the maximum price for my traffic of \$0.27 I'd need to make \$27 per sale in order to break even.

So that's how we can use the Adwords Calculator to calculate the minimum profit per sale that I need to make to still be profitable.



## Q3: Minimum Profitable Conversion Rate

[Starts at 00:07:43]



OK, let's now move on to the third question that Market Samurai's Calculator allows you to explore, which is:

### What's the minimum conversion rate I need to be profitable?

This question is a great way to **explore the commercial viability of a particular product and keyword combination**.

To answer this question I first enter the profit per sale that I receive from the product I'm considering. Let's say I've found a set of Aikido videos that offer me a **\$29.95 commission**. Next, I enter in my **keyword**, which is **aikido techniques** and **click** the **Fetch Data** button. Market Samurai now **calculates the conversion rates** that you'd need in order to break even. This conversion rate of 0.87% is the conversion rate I'd need if I was paying the average amount per click of \$0.26.

This conversion rate down here of 0.53% is the conversion rate I would need if I was paying the minimum amount per click of \$0.16, and this conversion rate over here of 0.9% is the conversion rate I would need if I was paying the maximum amount of \$0.27 per click.



## Wrap Up

[Starts at 00:08:59]

So there you have it, the Adwords Calculator inside Market Samurai is a great way to answer some of the questions that you may come across when you are using Pay Per Click traffic.

You can determine the **maximum amount that you can bid and still be profitable**, which is a good way to **minimise your long-term Adwords expenses**.

You can identify the **minimum profit per sale you need to be profitable** for a specific keyword which is **useful when you're evaluating different products**.

And finally, you can assess the **minimum conversion rate you need to be profitable**, which is a **good way to assess the commercial viability of a particular product and keyword combination**.

Thanks for watching and I'll see you again in a few days time.

## Summary:

### Profitability

- Income > Expenses: PROFIT
- Income = Expenses: BREAK EVEN
- Income < Expenses: LOSS

### Pay Per Click Questions

- Use the Adwords Calculator In the Monetization Module of Market Samurai to Answer:
  - o What's the **maximum** amount that I can **bid** and **still be profitable**?
    - Minimise your long-term expenses
  - o What's the **minimum profit per sale** that I need **to still be profitable**?
    - Evaluate different products
  - o What's the **minimum conversion rate** I need **to be profitable**?
    - Assess commercial viability of product/keyword/landing page combinations

## Links:

Market Samurai - <http://www.marketsamurai.com/thirtydc>  
Click here to get your 40 day free trial of Market Samurai.