Why LinkedIn

We connect with
professional audiences

Driving meaningful
engagement

In **environments**
that yield results

Decision makers
at scale

Mindset to do
business
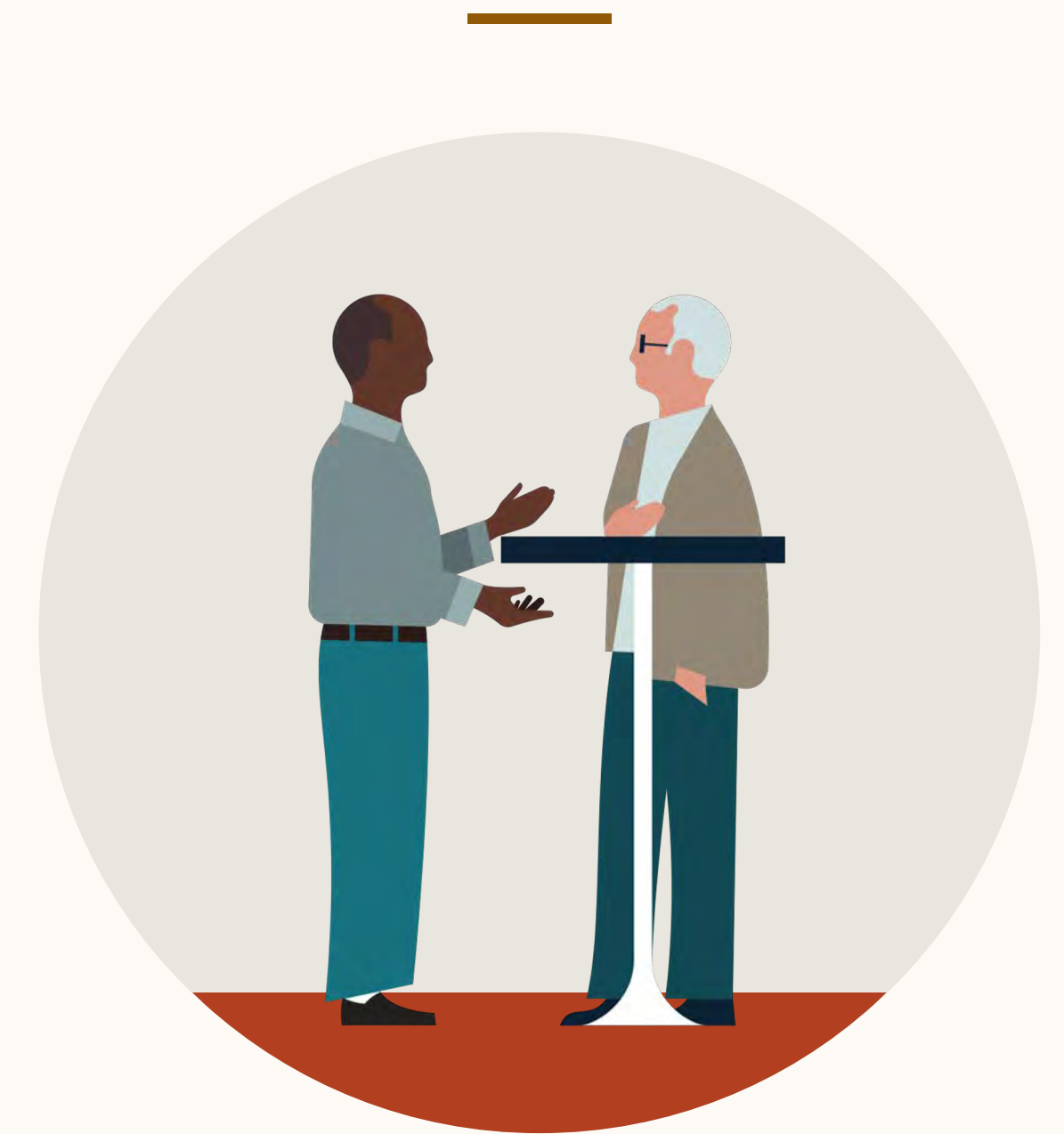
Trusted platform
delivering impact

Decision makers at scale

722 million — **Members** on LinkedIn

2x — LinkedIn's audience has **2x the buying power** of the average web audience

4 out of **5** — LinkedIn members **drive business decisions**

Sources: LinkedIn Audience 360 study

Demystifying the LinkedIn Ad Auction

Let's make your campaigns more effective

What will you learn in this guide?

1.
Auction Dynamics

Your guide to getting the most out of ad auctions

- How the auction works
- Relevancy score
- Campaign quality score

2.
Reach & Frequency

Drive brand exposure through reach and frequency

- Role of Reach and Frequency
- What is Reach
- What is Frequency
- Frequency recommendations

3.
Bidding

A simple guide to the different ways to bid

- Bid types
- Bidding strategy guidance
- Align your optimizations to your campaign objectives

4.
Budget & Pacing

Useful tools for making your spend go further

- Budget & schedule combinations
- Budget pacing

5.
Forecasting Tool

Highlighting opportunities for more effective campaigns

- Forecasting your campaigns
- Forecasting: Under the hood

1.
Auction Dynamics

Your guide to getting the most out of ad auctions

Single Auction

When a LinkedIn member visits the feed, there is a single auction that ranks a number of ads at once. As the member scrolls down the feed, we show ads in that ranked order.
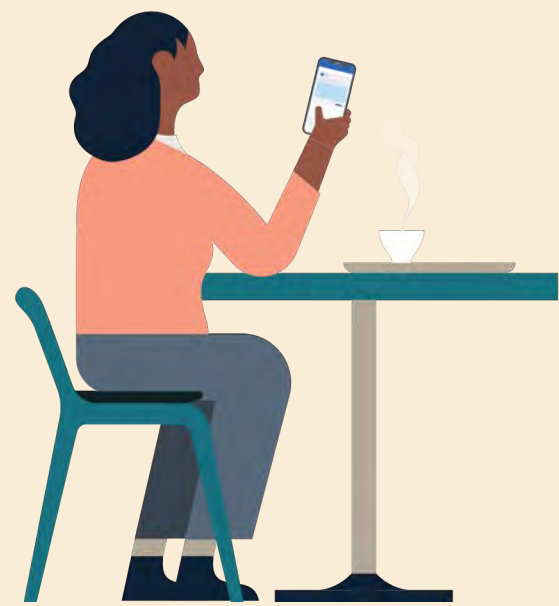
Overview: how the auction works in 4 steps

Targeting **Bidding** **Relevancy** **Ranking**

Member visits LinkedIn

Member on feed prompts ad request

eCPI bid is placed in auction

Score calculated from predictive models

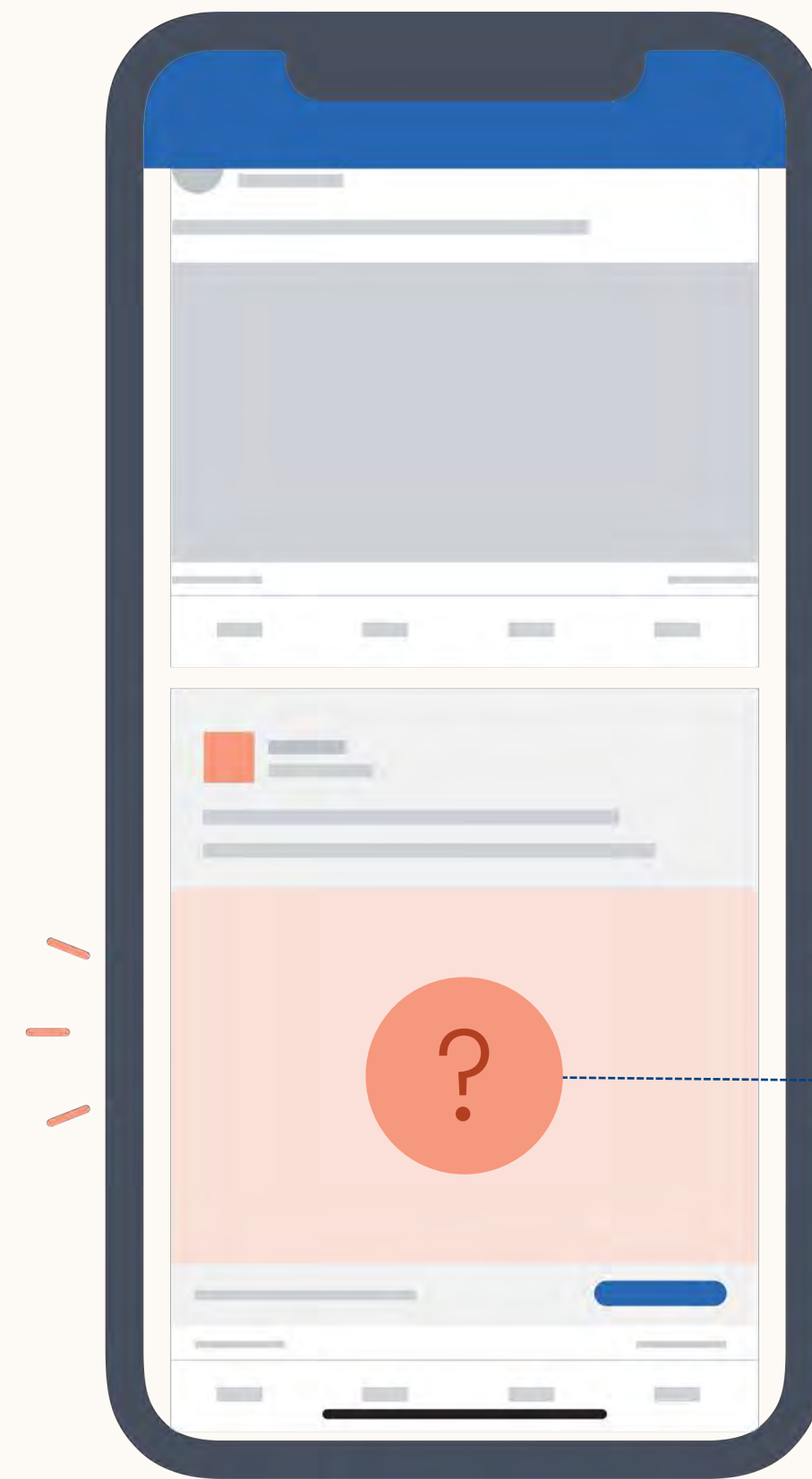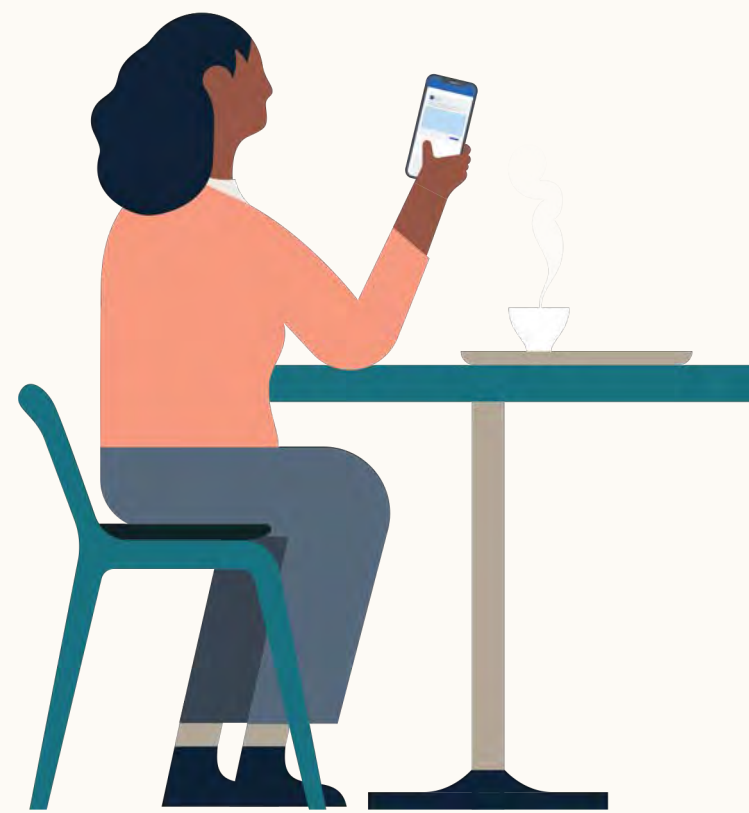Ad creatives ranked based on (bid) x (Relevancy Score)
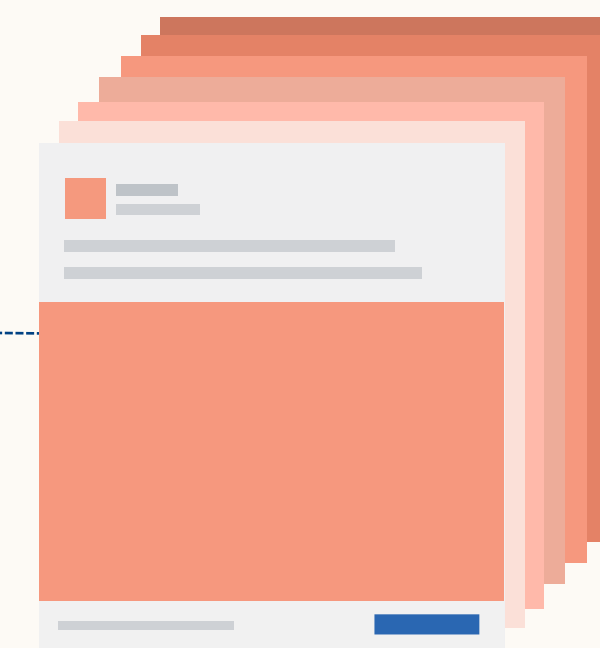
Winning creative

Ad Auctions: Targeting

When a LinkedIn member scrolls through the feed, they see ads slotted in between organic content.
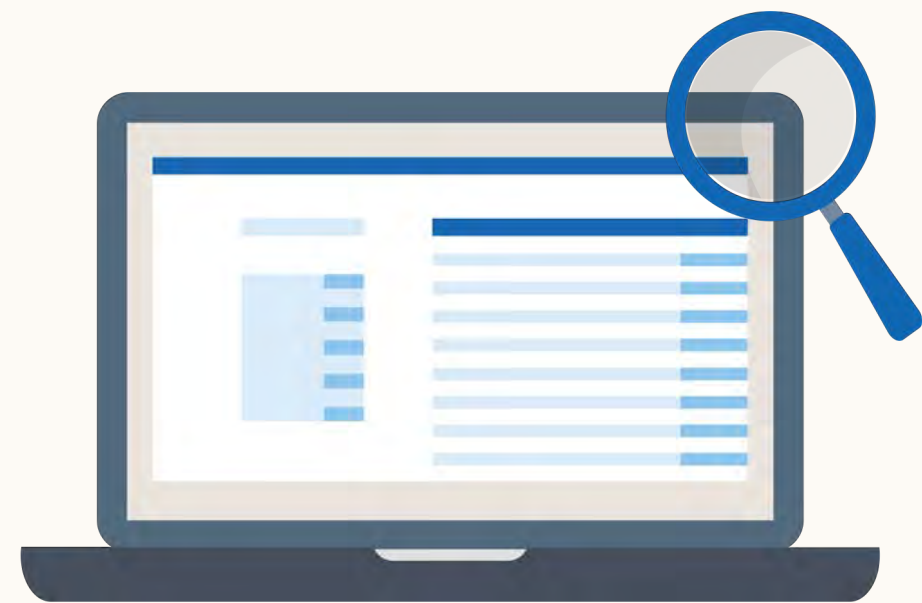
Once an ad campaign launches, the bid is placed and an ad request enters a LinkedIn auction for a specific member who is about to receive an ad.

Ad Auctions: Bidding

The bid is competing with other bids who are targeting the **same audience** (member) using the **same ad format**.

To determine which ad gets a particular ad slot, we rely on a **second-price auction system**.

In order for all bid values to operate on the same value system within an auction, **the bids are converted to eCPI.**

- **CPC:** pCTR x bid = eCPI
- **CPM:** CPM bid / 1000 = eCPI
- **CPV:** pCPV x bid = eCPI

- In second-price auctions, the advertiser sets the bid but will only be charged for the amount needed to win the auction. The winner of the auction is the highest bid but only pays the price offered by the second-highest bidder plus 1 cent.

- An exception to this is floor pricing; when bidding at the floor price and winning the auction, your bid will never exceed the floor price.

Ad Auctions: Relevancy

The auction winner then gets the ad request slot to show their ad to the targeted member, **if the combined value of their bid and relevancy score is strong.**
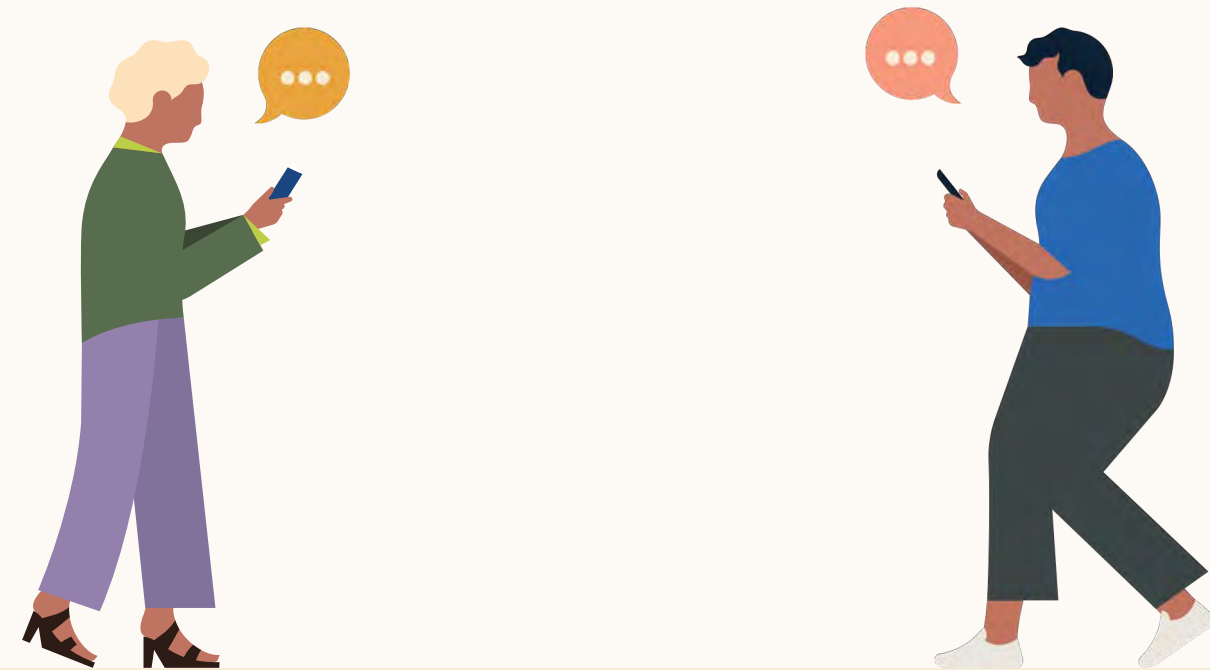
Relevancy Score is how likely the member is to take an action on the ad, calculated using a prediction model.

- **CPC/CPM campaigns** use (pCTR)

- **Lead gen campaigns** use (pLTR)

- **Video campaigns** use (pVTR), based on at least 2 seconds of video viewed.

Ad Auctions: Ranking

**Determine results of an ad request auction:**

(Bids) x (Relevancy Scores) ⭐

A	$12 bid (4 RS) = 48	
B	$8 bid (9 RS) = 72	Auction Winner
C	$4 bid (3 RS) = 12	

What is Campaign Quality Score (CQS)?

Your Campaign Quality Score (CQS) is an indicator of how likely a member is to take action on your ad

- While Relevancy Score is used, it isn't shared, and instead we do share a CQS. Campaign Quality Score (CQS) is a proxy for Relevancy Score and can be used directionally.

- This score reflects the campaign's relevance compared to its competitors across all of the auctions in which it participates.
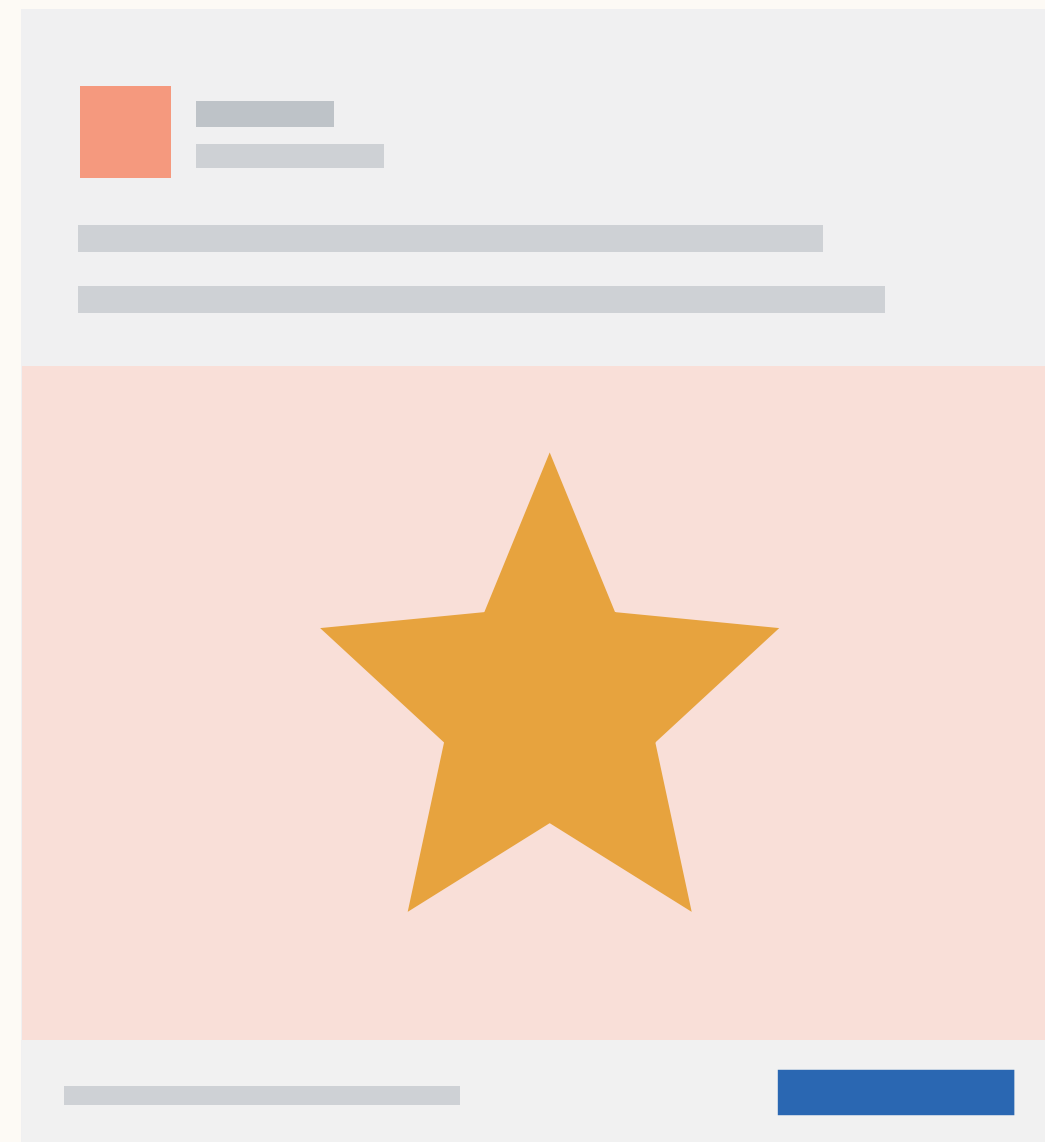
How is the Campaign Quality Score calculated?

The system uses each auction the campaign has participated in: pCTR of the 1st slot / campaign's pCTR*, based on the same audience and ad formats.

Averaging the score across all auctions gives the score of the campaign. This score is normalized on a 1-10 scale.

*Video views campaigns currently do not compute CQS. To optimize, focus on targeting and content performance against objective.

pLTR or pVTR can be based on campaign selections

A note about using Campaign Quality Score

As a proxy for Relevancy Score, CQS should only be reported as a **secondary metric** and used directionally when editing a campaign

To see changes in your CQS, we recommend experimenting with different bid types and values, ad creative and targeting.

Auction glossary
Reference of key terms

CPM (Cost Per Mille):
the price of 1,000 impressions.

CPC (Cost Per Click):
the price based on the number of clicks on the ad.

CPV (Cost Per View):
the price based on the number of views of the ad.

eCPI (estimated Cost Per Impression):
a metric that enables all ads to be on the same "currency" by calculated conversion; for each ad request, the system ranks ads for the auction using their eCPI.

Relevancy Score:
how likely the member is to take an action on the ad, calculated using a prediction model.

Campaign Quality Score:
a proxy for Relevancy Score that can be used directionally if deciding to edit or duplicate campaigns.

pCTR (predicted Click-Through Rate):
for each ad creative, a pCTR is calculated based on member data, historical campaign performance, and other contexts for relevancy.

pLTR (predicted Lead-Through Rate):
it is used to determine the relevancy of a Lead Gen campaign.

pVTR (predicted View-Through Rate):
it is used to determine the Relevancy of video campaigns, calculated as #views > 2 seconds / #impressions.

UTC:
coordinated universal time commonly used for internet/web coordination; LinkedIn's Campaign Manager is on UTC.

Second-price Auctions:
the advertiser sets the bid but will only be charged for the amount needed to win the auction. The winner of the auction is the highest bid but only pays the price offered by the second-highest bidder plus 1 cent.

Auction Dynamics: Takeaways

- When a LinkedIn member scrolls through the feed, they see ads slotted in between organic content.

- Your sponsored content will be bidding in an auction against other campaigns who want to reach the same type of LinkedIn members as you.

- All bids in an auction are converted to eCPI to be on the same value system.

- Outcomes of ad auctions are determined by a product of the eCPI bid value and relevancy score (prediction of how likely a member will take an action on an ad).

- The Relevancy Score is converted into a CQS (Campaign Quality Score) which is what you will see in Ads Manager.

- CQS is a good indicator of how likely a LinkedIn member is to take action based on your ad.

2.
Reach & Frequency

Drive brand exposure through Reach and Frequency

# Role of Reach & Frequency

Branding is typically more effective when you reach a larger share of your audience—and when that audience is broad.

Members also typically require multiple exposure opportunities to an advertiser's content before they convert.

Reach on LinkedIn

Reach is the number of member accounts who see an ad at least once during the campaign's duration.
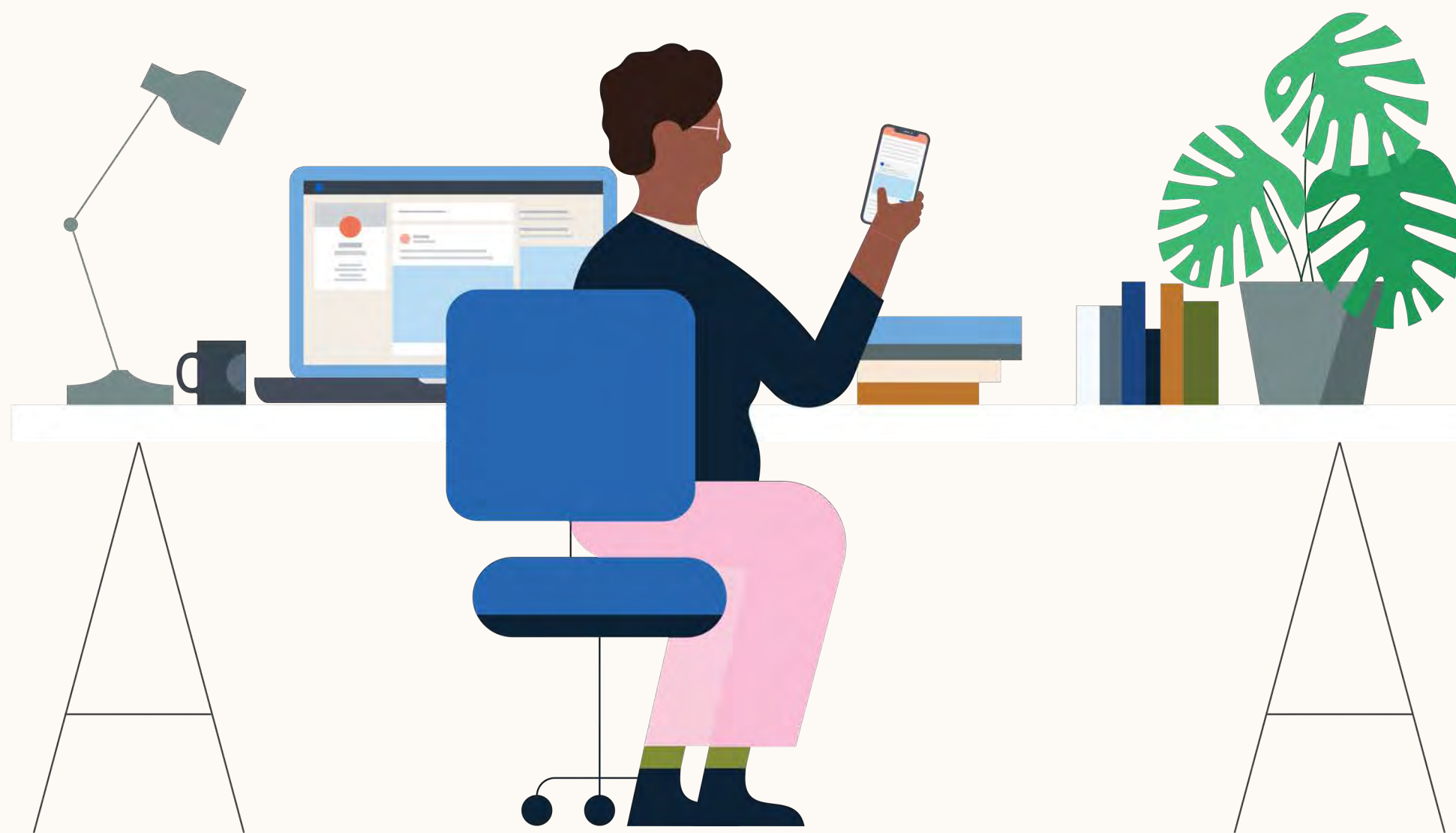
Coming Soon: Reach Optimization & Forecasting will be available for Brand Awareness campaigns in Campaign Manager in early 2021.

Drive brand exposure and top-of-funnel results through Reach:

Bidding NEW

Optimization goal ⑦

Reach Change

Bidding strategy ⑦

Maximum delivery (Automated) - Get the most results possible with your full budget

What about Frequency?

Average Frequency is the average number of impressions seen by member accounts who saw at least one impression.
This metric is estimated over the course of the selected date range.

Frequency Forecasting will be available in early 2021. We're also exploring frequency optimization for future quarters.

-------- Example: Average Frequency of 3 --------

4X

2X

3X

Mix creatives to maximize Frequency

In the meantime, you can add more ads to your campaign and use frequency reporting.

Within a 48 hour period, members can be shown ads from the same company page up to 5 times. Our backend frequency controls help to balance ad redundancy for members with exposure opportunities for advertisers. Use frequency reporting to understand what works best and optimize frequency in future campaigns.

Note: frequency of ads is only applicable to the LinkedIn feed.

Have 4 - 5 ad creatives in rotation to maximize your company's reach for higher member engagement.

4-5 creative variations live

Replace under-performing ads

| Week | 1 | 2 | 3 | 4 | 5 |
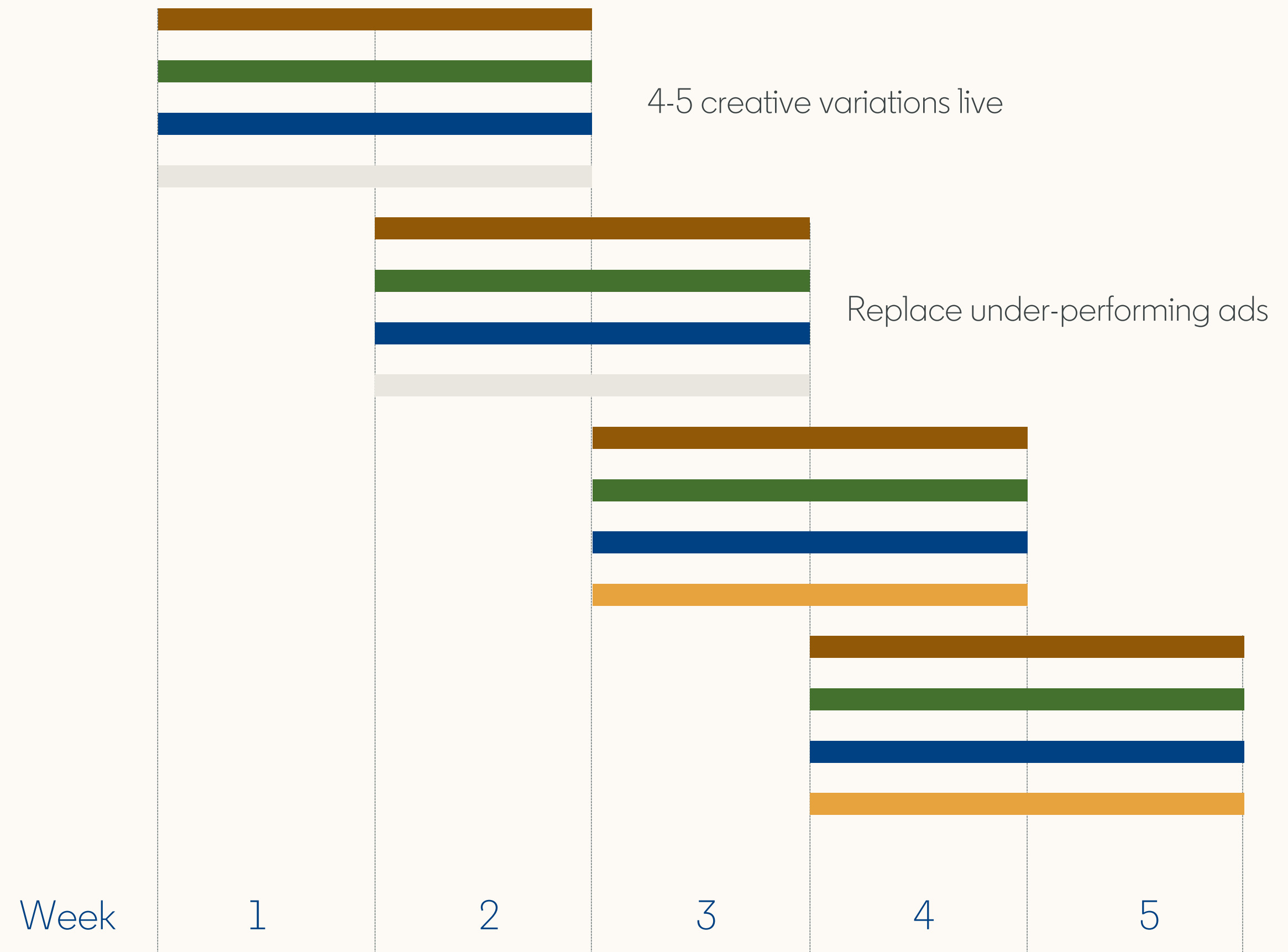
Reach and Frequency: Takeaways

Using LinkedIn's Reach Optimization will help you get more exposure for your brand.

Members require multiple instances of exposure to a brand's content before converting.

Until our frequency optimization products are available, we recommend adding more ads to your campaigns and using frequency reporting.
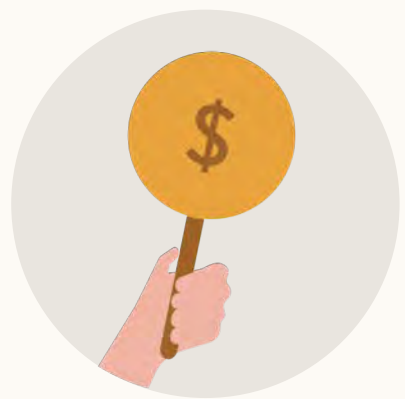
3.
Bidding

A simple guide to the
different ways to bid

Bidding 101

First, select your optimization goal and enter the amount you are willing to bid for that action.

The **bid** is the amount the advertiser is willing to pay for an action by a LinkedIn member.

The type of **action**, like a click, is based on the advertiser's goals, a combination of the campaign objective and bid type.

Optimization goal ⑦

Engagement clicks Change

Bidding strategy ⑦

○ Maximum delivery (Automated) - Get the most results possible with your full budget

○ Target cost - Get the most results possible while staying near your cost goal

◉ Manual bidding - Control your bids in the auction

☑ Enable bid adjustment for high-value clicks ⑦

$4.75   per engagement click ⑦

We recommend bidding **$4.75**. Similar advertisers are bidding between **$3.55 - $7.47** per engagement click

Overview: How do the bid types vary?

	Maximum Delivery (Automated)	Target Cost Bidding	Manual Bidding
What it does...	Gets most results while delivering full budget	Gets most results possible closest to advertiser's specified cost per result	Advertisers set their preferred bid for the auction
Who sets the Bid	LinkedIn	LinkedIn	Advertiser
When to use	Full Budget Delivery	Cost Per Result Control	Bid Control
Benefits	Volume of Results Delivers Full Budget Saves Time No guesswork	Cost Predictability Saves Time Minimize guesswork	Maximum bid control
Campaign Objectives	All	Brand Awareness, Website Visits, Engagement, Video Views	All

Maximum Delivery (Automated)

Maximum delivery (Automated)

We'll automatically set and adjust your bid to help you get the most results possible while utilizing your full budget.

○ Maximum delivery (Automated) - Get the most results possible with your full budget
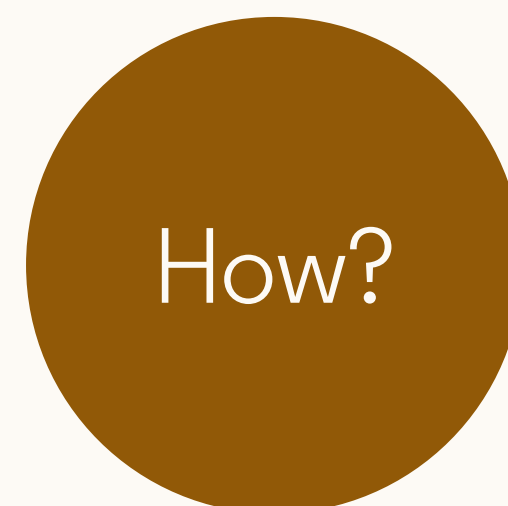
Who?

Recommended for those who...

- Are uncertain how to bid
- Don't have the time to manage bids
- Want maximum delivery / budget utilization
- Want a high volume of results

What?

LinkedIn automatically bids for the advertiser, aiming to deliver the most key results (tied to campaign objective) while spending the full budget. This bid type is charged by impressions.

How?

System will dynamically adjust the bid throughout the day for results, based on members most likely to take an action.

Target Cost Bidding
(CPC, CPM, CPV)

Target cost

We'll **automatically adjust your bid** to help you get the most results possible while ensuring your daily average cost won't exceed above 30% your target cost.

Get the most results possible with your full budget

○ Target cost - Get the most results possible while staying near your cost goal

$3.69   target cost per engagement click ⑦

We recommend a target cost of $3.69. Similar advertisers are spending between $2.76 - $5.80 per engagement click

○ Manual bidding - Control your bids in the auction

Hide additional options ∧

*Flex up to 1.3x target cost value

Who?

Recommended for those who...

- Want cost predictability

- Have a target ROI

- Don't have time to manage bids closely

What?

Advertiser is able to specify a cost per key result, while getting the most results possible at or close to that value.

How?

System bids dynamically to generate the most key results while keeping the cost per key result (daily average) at the target cost*

Manual Bidding

Manual bidding

You determine your bid. Depending on how other advertisers are bidding, your actual cost per result may fluctuate.

⦿ Manual bidding - Control your bids in the auction

☑ Enable bid adjustment for high-value clicks ⑦

$3.69   per engagement click ⑦

We recommend bidding $3.69. Similar advertisers are bidding between $2.76 - $5.80 per engagement click
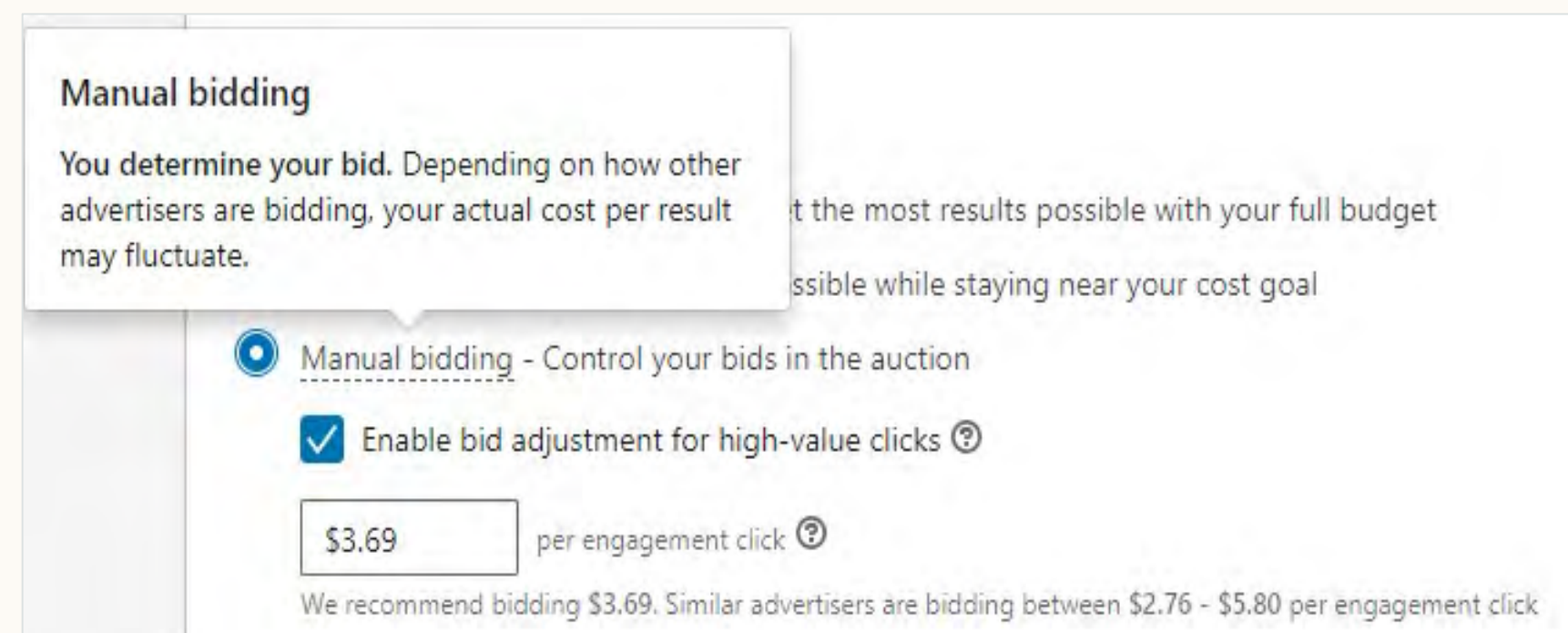
Who? This option is best for advertisers who need maximum bid control.

What? Advertisers are able to specify the bid amount they wish to use in the auction and LinkedIn will not exceed that value. Advertisers are charged according to second-price auction.

How? Regardless of budget delivery, the system will bid the exact amount specified by the advertiser. There is no optimization of the bid.

Manual Bidding with enhanced options

Manual bidding (Enhanced)
You determine your bid. We'll automatically adjust your bid up to 35% higher so that you are more likely to get clicks that get you more conversions on your website.

most results possible with your full budget

Manual bidding (Enhanced) – Get the most results possible with your bid

$10.19   per landing page click ⑦

We recommend bidding $10.19. Similar advertisers are bidding between $7.70 – $15.74 per landing page click

Who?

This option is best for advertisers who need bid control.

What?

Advertisers are able to specify the bid amount they wish to use in the auction. The system won't overdeliver the total campaign budget.

How?

If optimizing for high-value clicks, conversions, or leads, the bid will flex up to **35%**. This is only applicable to Website Visits, Engagement, Lead Generation, and Website Conversion objectives.

Bidding Features

Bidding NEW

Optimization goal ⊙

Sends – Deliver ads to members as many times as possible when theyre active on LinkedIn.

Bidding strategy ⊙

Manual bidding – Control your bids in the auction

$0.20   per ad sent ⊙

We recommend bidding **$0.20**. Similar advertisers are bidding between **$0.20 – $0.30** per ad sent

Suggested bid to help advertisers improve campaign performance

Range of bid values based on an estimate of the current competing bids by other advertisers who are targeting the same audience

Bid suggestions only appear for certain bid types, where you input a value. These won't appear for campaigns using Maximum Delivery, our fully automated option.

Align your optimizations to your campaign objectives

How campaign objectives align to optimizations

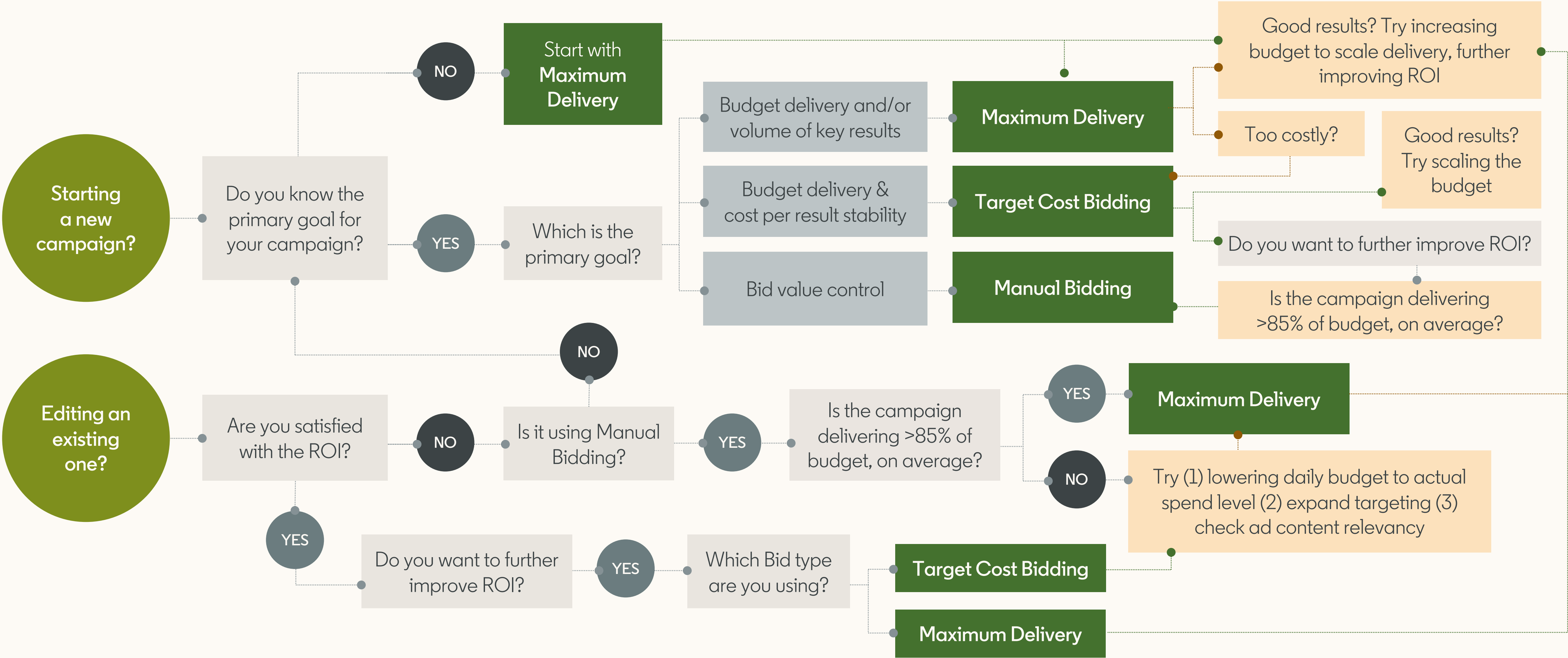|	Objective	Optimization	Bid Type
Awareness	**Brand Awareness**	Impressions Reach*	• Maximum Delivery (Automated) • Target Cost • Manual Bidding
Consideration	**Website Visits**	Landing Page Clicks Impressions	• Maximum Delivery: Impressions • Target Cost: Clicks • Manual Bidding: Clicks & Impressions
	Engagement	Engagement Clicks Impressions	• Maximum Delivery: Impressions • Target Cost: Clicks • Manual Bidding: Clicks & Impressions
	Video Views	Video Views Impressions	• Maximum Delivery: Impressions • Target Cost: Views • Manual Bidding: Views & Impressions
Conversion	**Lead Generation**	Leads Clicks Impressions	• Maximum Delivery: Impressions • Manual Bidding: Leads, Clicks, Impressions
	Website Conversions	Website Conversions Landing Page Clicks Impressions	• Maximum Delivery: Impressions • Manual Bidding: Clicks, Impressions

*Reach will be offered in March 2021

Bidding: Takeaways

- A "bid" is the amount you are willing to pay for an action (e.g., Click through, Engagement, Lead) by a LinkedIn member.

- The type of action that the campaign is optimized for is based on your marketing goals, a combination of the campaign objective and bid type.

- Bid types:

    - Manual, offering you full bid control.

    - Automated (Maximum Delivery & Target Cost), where LinkedIn does the work for you.

- Align your optimization with your campaign objective.

- When in doubt, you can look for bid tips and suggestions in Campaign Manager.

Bidding Strategy Guidance

Starting a new campaign?

Do you know the primary goal for your campaign?

NO → Start with **Maximum Delivery**

YES → Which is the primary goal?

- Budget delivery and/or volume of key results → **Maximum Delivery**
- Budget delivery & cost per result stability → **Target Cost Bidding**
- Bid value control → **Manual Bidding**

Good results? Try increasing budget to scale delivery, further improving ROI

Too costly?

Good results? Try scaling the budget

Do you want to further improve ROI?

Is the campaign delivering >85% of budget, on average?

Editing an existing one?

Are you satisfied with the ROI?

NO → Is it using Manual Bidding?

YES → Is the campaign delivering >85% of budget, on average?

YES → **Maximum Delivery**

NO → Try (1) lowering daily budget to actual spend level (2) expand targeting (3) check ad content relevancy

YES → Do you want to further improve ROI?

YES → Which Bid type are you using?

- **Target Cost Bidding**
- **Maximum Delivery**

When trying a new bid type, allow 3-5 days to see results. Before launching your campaign, try switching between bid types to see predicted results in the Forecasting Tool.

Legend: Selection | Guidance | Goal | Results

4.
Budget & Pacing

Useful tools for making your spend go further

What budgeting is and why it matters

Budget is the amount of money you designate for your marketing plans, and to show your ads through ad campaigns in the Campaign Manager Tool.

Your campaign budget is the total, maximum budget that LinkedIn will deliver for the designated campaign.

Navigating Budget & Schedule Combinations

Budget & Schedule

Budget

Set a daily budget ▾

Daily Budget

$50.00   Actual amount spent daily may vary ⑦

Schedule

◉ Run campaign continuously

Start date

5/20/2020 📅

Your campaign will run **continuously** starting from **May 20, 2020** with no end date.

○ Set a start and end date

Daily Budget:
how much the advertiser prefers
to spend over the course of one day.

Lifetime Budget :
how much you would like to spend
for the duration of your campaign.

Fixed Schedule:
select start and end dates.

Continuous Schedule:
only a start date.

Pacing: what it is and why it matters

Pacing is the speed and consistency of the spend of the budget, and can be used as an indicator of when spend should be more (or less).
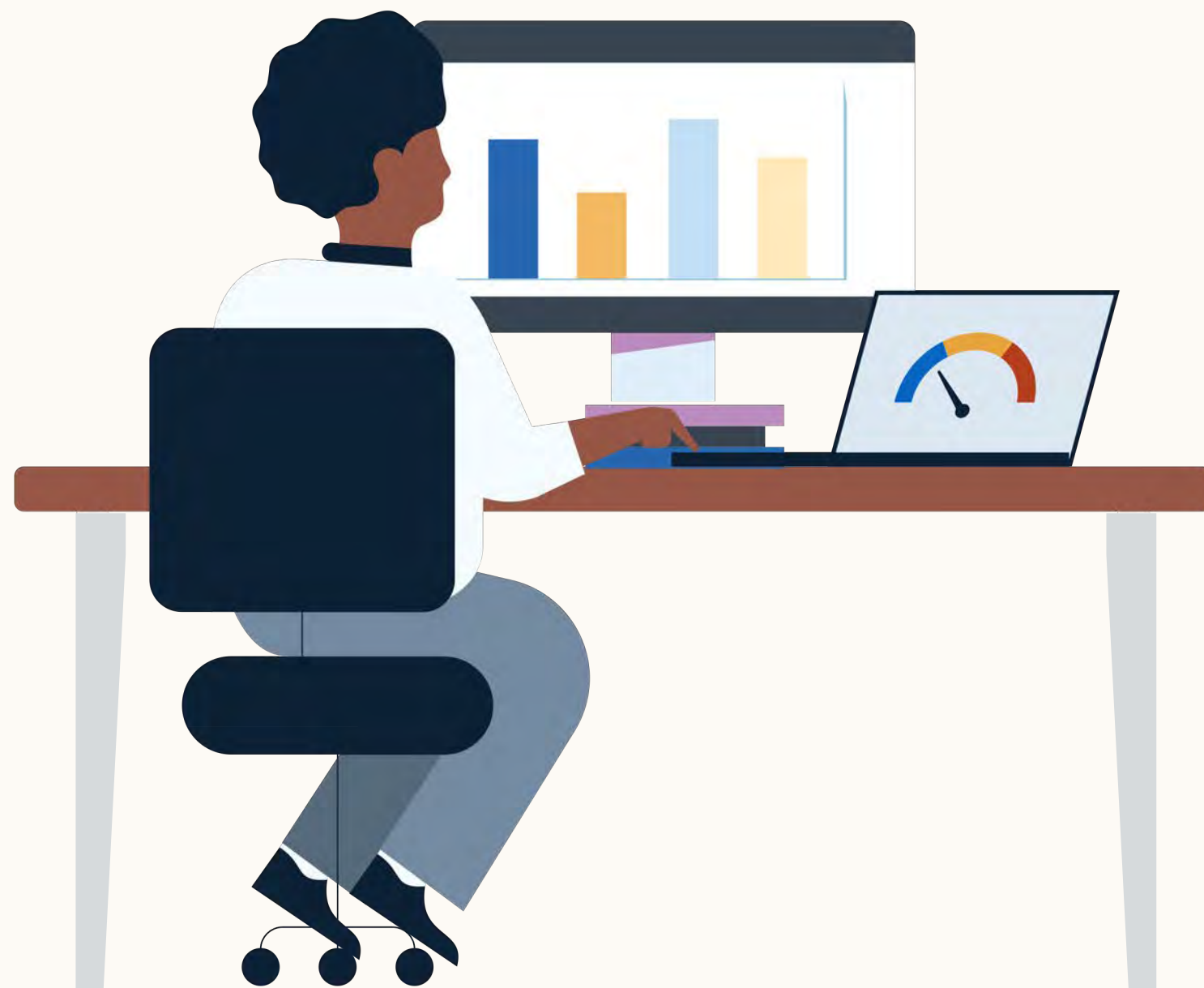
LinkedIn has 2 kinds of pacing:

Daily Pacing:
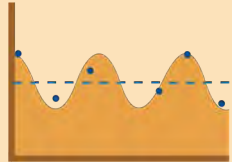predicts platform activity over the course of one day and optimizes budget distribution and spend accordingly.
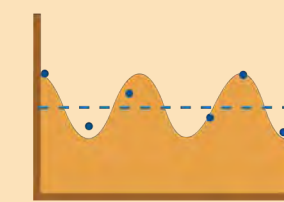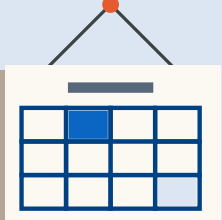
Lifetime Pacing:
predicts platform activity over the course of one week and optimizes budget distribution and spend accordingly.

Which Pacing mechanism used for your campaign is determined by the Budget & Schedule selections (See next slide).

Available budget options, backed by Pacing

Budget Selection	Schedule	Pacing
Daily Budget	Continuous	Daily*
Daily Budget	Fixed Start and End Dates	Lifetime
Lifetime Budget	Fixed Start and End Dates	Lifetime
Daily and Lifetime Budget	Continuous	Lifetime

*Daily Pacing will be phased out in mid-2021 and replaced with Lifetime Pacing
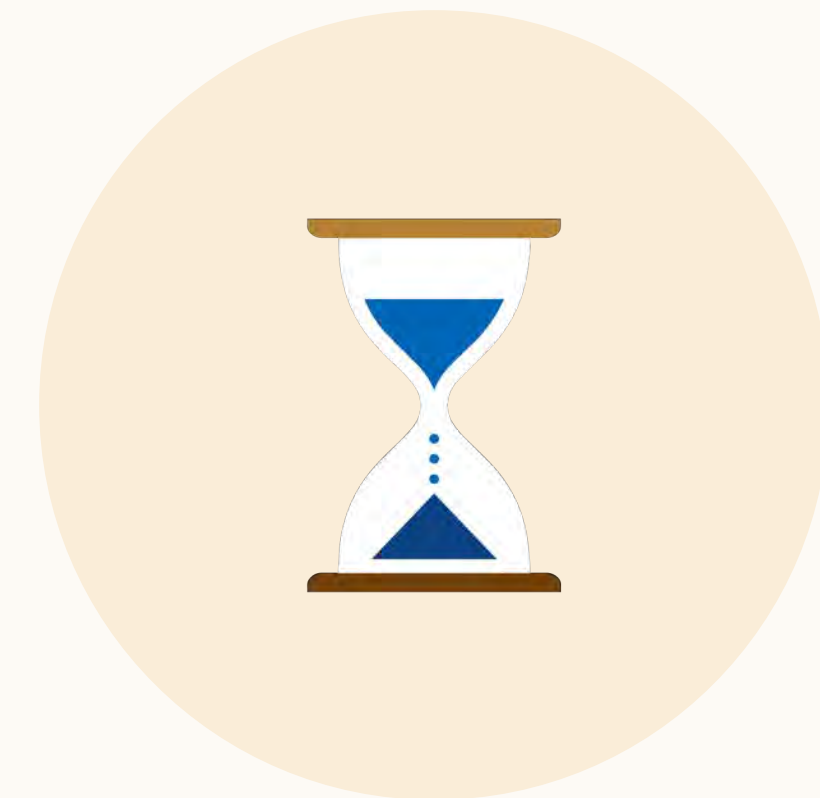
Why use Lifetime Pacing?

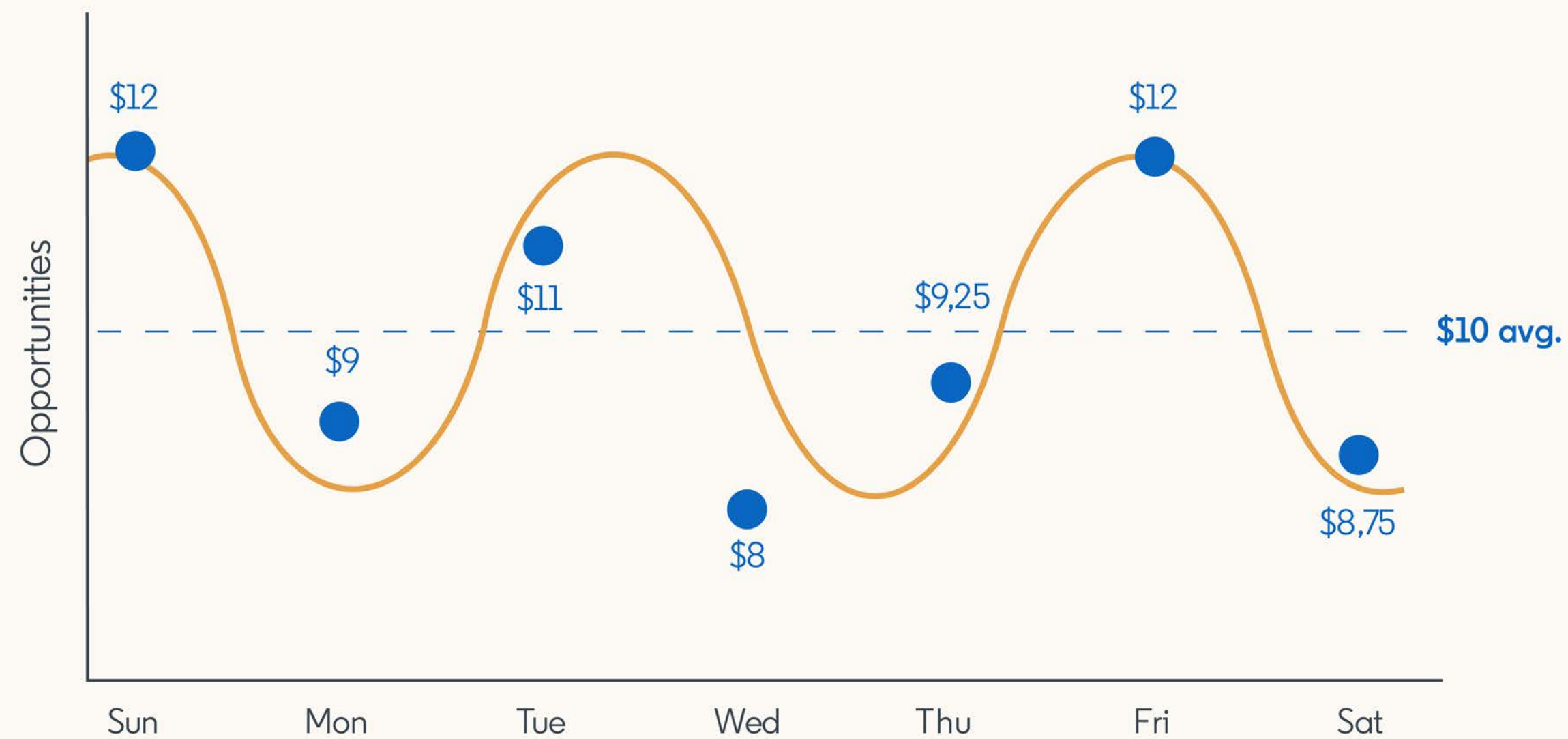Benefits of Lifetime Pacing

Improves budget utilization

Improves campaign ROI

Can save time spent managing campaigns

Daily Budget Pacing: Variance

$12
$11
$12
$9
$9,25
$10 avg.
$8
$8,75

Opportunities

Sun   Mon   Tue   Wed   Thu   Fri   Sat
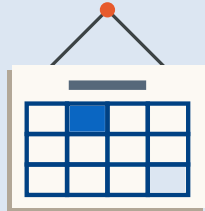
Why is my daily budget variance increasing from 20 to 50%?

With lifetime pacing, our system needs some flexibility at the daily budget level for optimization purposes. This requires a larger buffer for our system to move around the lifetime budget to ensure we are effectively optimizing budget utilization. This only happens in the event that there are supply opportunities to deliver more optimal ROI. Our system will not exceed the lifetime budget.
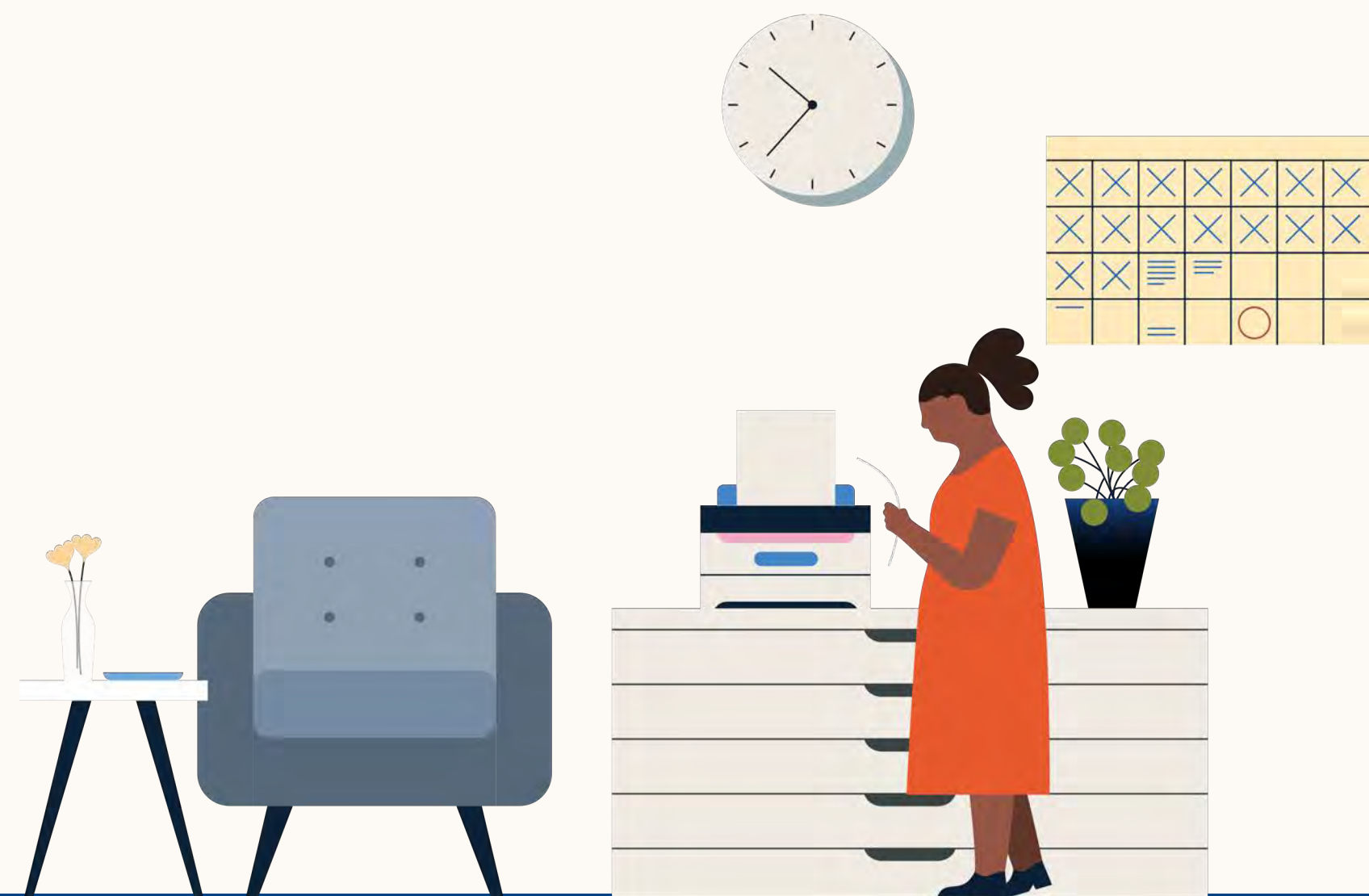
Available budget options, backed by Pacing

Try these options for your new campaigns to align
with your previous Budget & Schedule combinations:

Schedule	Previous Budget setting	Recommended new Budget
Fixed (Start + End date)	Daily	Daily
	Daily + Total	Daily
	Total	Lifetime
Continuous (Start date only)	Daily	Daily
	Daily + Total	Daily + Lifetime

Budget & Pacing: Takeaways

LinkedIn lets you take full control of your budget, which is how much you want to spend on your campaign.

Pacing is the speed and consistency of the spend of the budget, and can be used as an indicator of when spend should be more (or less).

The more flexibility you give us to optimize your spend, the better your ROI.

5.
Forecasting Tool

Highlighting opportunities for more effective campaigns

Forecasting your Campaigns

Forecasting Tool provides guidance for more effective campaigns by estimating performance and likely outcomes

Adjust campaign selection as needed. You can check the forecasting tool as you build your campaign, when you're ready to launch, and as the campaign is running.

Forecasted Results ⚙

Target audience size
170,000,000+

| 1-day | 7-day | **30-day** |

30-day spend
$1,300.00 - $1,800.00 ?

30-day impressions **Key Result**
98,000 - 390,000

CTR
0.42% - 0.63%

30-day clicks
660 - 1,800

Forecasted results are directional estimates and do not guarantee performance. **Learn more**
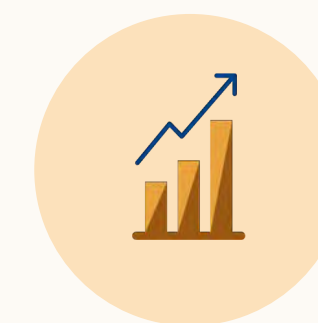
Key benefits

Improve your campaign ROI
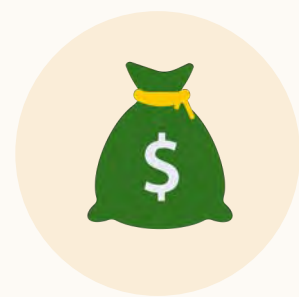
Plan and justify your budget

Launch your campaign with confidence

Under the hood: Forecasting

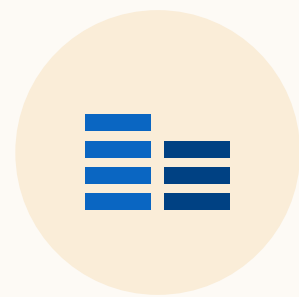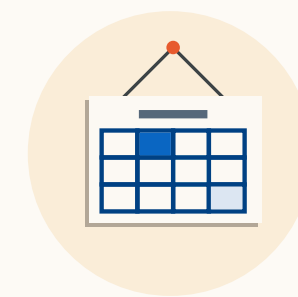The Forecasting Tool uses a range of data to the predict likely outcomes of your campaign:
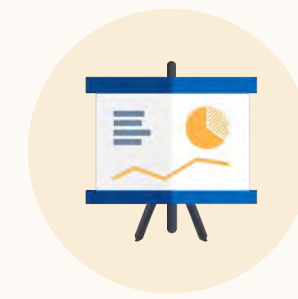
Budget

Time range

AE** status

Bid

Historical performance
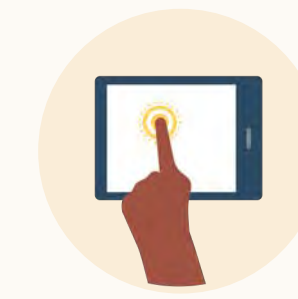
Expected member traffic

Targeting

Campaign type

Frequency cap

LAN* status

*LAN: LinkedIn Audience Network, **AE: Audience Expansion

Forecasting Tool: Takeaways

The Forecasting Tool can give you an indication of the likely outcomes of your campaign.

You can use it during campaign setup, prior to launch, and even after the campaign is running.

Ultimately, it's a tool you can use to make your campaigns more effective.
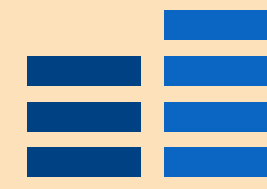
Let's recap

Auction Elements Takeaways

1. Auctions

All bids in an auction are converted to eCPI to be on the same value system. **Outcomes of ad auctions are determined by a product of the bid value and relevancy score** (prediction of how likely a member will take an action on an ad).

2. Reach & Frequency

Members require multiple instances of exposure to a brand's content before converting. LinkedIn's Reach Optimization will be a useful way to drive brand exposure. To optimize frequency, we recommend adding more ads to your campaigns, and using frequency forecasting and frequency reporting.

3. Bidding

A bid is the amount an advertiser is willing to pay for an action by a LinkedIn member. The type of action (e.g. click) that the campaign is optimized for is based on the advertiser's goals, a combination of the campaign objective and bid type. The bid types are also either manual, offering full control to the advertiser, or automated where LinkedIn does the work for the advertiser. When in doubt, LinkedIn offers bid tips and suggestions within Campaign Manager to help.

Auction Elements Takeaways
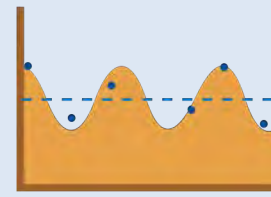
4. Budgets & Pacing

LinkedIn uses sophisticated pacing mechanisms to ensure your budget is being spent efficiently by delivering your ads at optimal times. Through 4 budget and schedule combinations, advertisers have flexibility with their budgets, and whether to run campaigns continuously or for a fixed period of time.

5. Forecasting

During campaign setup, when ready to launch, and even as the campaign is running, the forecasting tool can be referenced as **a guide to help make your campaigns more effective.**

Appendix

What is Floor Pricing?

Floor Pricing is the minimum bid required to enter an ad auction

→ It is also the minimum price to pay

→ Auctions can clear, i.e. can be won, at the floor price

How is the Floor Price calculated?

- Floor Pricing is dynamically generated per member, based on historical data
- Tailored to marketplace dynamics, target audience and campaign objective
- Uses last 90 days of data

Bidding at the floor price is beneficial for highly cost sensitive customers

Considerations

- While bidding low or at the floor can get an overall lower cost per result, it may deliver lower volume of results and leave budget unspent
- Typically requires close campaign management