

Targeting Features in Google Ads: A Strategic Approach for Vietnamese Businesses

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Abstract:

This paper analyzes the role of targeting features in the Google Ads platform, a digital advertising tool increasingly prevalent in the context of digital transformation. The research focuses on understanding the operational mechanisms of Google advertising, particularly customer segmentation and targeting capabilities; it evaluates the current application status among small and medium-sized enterprises (SMEs) in Da Nang, thereby proposing an effective tactics framework for implementation. The study uses descriptive statistics and draws on both primary and secondary data sources. Primary data were collected from 120 SMEs operating in e-commerce, tourism, education, services, and manufacturing. The results indicate that 100% of e-commerce businesses utilize Google Ads, followed by service and tourism sectors with usage rates of 96% and 92%, respectively. Conversion rates significantly improved, with the click-through rate (CTR) increasing by approximately 15.7% after correctly applying targeting features. The paper contributes both theoretical and practical foundations for enhancing digital marketing capabilities among Vietnamese enterprises.

Keywords: Google Ads, Targeting feature, online Advertising, consumer segmentation, Vietnamese SMEs.

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I. INTRODUCTION

The growing trend of digital transformation has dramatically changed how businesses operate. Marketing, in particular, has undergone rapid changes in the digital environment. The widespread adoption of advanced technology platforms has enabled businesses to shift from traditional marketing to digital marketing, facilitating the personalization of communication strategies (Wenning, 2021). Online Advertising has become a strategic tool in modern marketing communication, allowing more accurate and detailed audience targeting. According to Statista (2023), global online advertising expenditures exceeded \$600 billion, with Google Ads accounting for over 28%.

In Vietnam, alongside the rapid growth of e-commerce and changes in consumer behavior post-COVID-19 pandemic, Google Ads has been widely adopted by both large corporations and SMEs. Notably, the audience targeting feature in Google Ads allows businesses to reach users who match their target customer profiles, thereby optimizing costs and improving campaign effectiveness. However, leveraging this feature effectively requires deep knowledge of audience segmentation systems, Ads operation mechanisms, and the ability to execute and monitor appropriate strategies. This article explores the theory behind Google Ads operations, audience segmentation, application practices in Vietnamese enterprises, and proposes the practical recommendations for optimizing targeting functionality.

II. THEORETICAL FRAMEWORK

2.1. Overview of Google Ads and Ad Formats

Google Ads is known a pay-per-click (PPC) advertising platform that displays Ads via Google's ecosystem including the search engine, YouTube, Google Maps, and the Google Display Network (GDN). The main advertising formats include:

- *Search Ads:* Appear on Search Engine Results Pages (SERPs) when users search for related keywords.
- *Display Ads:* Banners, Static or dynamic images shown on partner websites in the GDN.
- *Video Ads (YouTube Ads):* Video ads displayed within or before YouTube videos.
- *Shopping Ads:* Ads that display product information (images, names, prices, suppliers) on search engine results pages (SERPs).

- *App Campaigns*: Ads displayed within Google Play, the YouTube app, and other Google-connected apps.

2.2. Google Ads Operation Mechanism and Targeting Features

2.2.1. Operation Mechanism of Google Ads

Google Ads runs on a real-time bidding (RTB) model, where advertisers don't buy fixed ad space but compete in real-time auctions to display ads when specific user actions are triggered (Lee, 2011). The core element of this mechanism is the *Ad Rank*, which determines ad placement on SERPs or within Google's ecosystem. Following Lee, 2011; Google Ads Help, n.d. Ad Rank is calculated as: **Ad Rank = Max CPC × Quality Score + Ad Extension impact**. The Ad Rank score is based on three key components:

- *Max CPC (Cost Per Click)*: The highest price an advertiser is willing to pay for a click.
- *Quality Score*: Assessed by Google, includes: (1) *Expected CTR* – likelihood of users clicking on the ad; (2) *Ad Relevance* – alignment between keywords, ad content, and search query; (3) *Landing Page Experience* – the relevance and usability of the destination page.
- *Ad Extensions & Formats*: Additional features (e.g., sitelinks, address, phone, app extensions) that enhance interactivity and visibility.

Improving the Ad Rank not only helps ads appear in better positions but can also reduce the cost per click (CPC). This explains why an ad with high quality score can outperform competitors even with a lower bid. To explain this point, the author analyzes a specific example as follows: Advertiser 1 places a bid of VND 10,000 but has a Quality Score of only 5, resulting in an Ad Rank of 50. Advertiser 2 bids VND 8,000 but has a Quality Score of 8, giving them an Ad Rank of 64. As a result, advertiser 2's ad is prioritized and displayed in a better position, despite the lower bid.

2.2.2. Audience Segmentation and Targeting

Understanding how Google Ads functions is foundational for effective targeting strategies, as user segments vary by behavior, context, and need. Google Ads' Audience Targeting feature allow segmentation based on:

- *Demographics*: Age, gender, education, income.
- *Affinity Audiences*: Based on user interests and lifestyles.
- *Custom Intent Audiences*: Based on recent keyword searches.
- *Custom Audiences*: Derived from CRM data.
- *Similar Audiences*: Lookalikes of existing customer lists.
- *Remarketing*: Re-targeting users who previously interacted with the business's website, YouTube channel, or app.

The audience targeting feature in Google Ads offers clear advantages in enhancing advertising effectiveness (Wenning, 2021). By enabling precise reach to specific user segments, businesses can optimize costs and minimize budget waste caused by displaying ads to irrelevant audiences. The use of demographic data, interests, behaviors, and even Customer Relationship Management (CRM) data allows for a high degree of ad content personalization, which in turn increases engagement and conversion rates. In addition, Google Ads supports A/B test and real-time campaign adjustments, enabling advertisers to promptly identify and address underperforming elements. This is particularly valuable in today's dynamic and highly competitive business environment.

However, audience targeting is not without its limitations. The accuracy and effectiveness of a campaign largely depend on the quality of input data, including data collection and user analysis. If the data is incomplete, out of date, or inaccurate, campaigns may target the wrong audience—leading to unnecessary expenses and reduced effectiveness. Moreover, fully implementing these features requires a relatively high initial investment in both technological infrastructure and skilled human resources. This presents a significant barrier for small and medium-sized enterprises. Finally, effective targeting demands a deep understanding of consumer behavior, proficiency in analytical tools, and familiarity with the operational mechanics of Google Ads—capabilities that not all businesses currently possess.

2.3. Analyzing the Integrated Workflow of Targeting Features in Google Ads

Google Ads operates through an automated process, in which Artificial Intelligence (AI) and machine learning play a central role in determining which ads are shown, to whom, where, and at what time. This section outlines the operational workflow of Google Ads, highlighting the integration and role of audience targeting throughout the entire process.

*** Step 1: Search Triggered**

Initially, a user performs an action such as entering a query on Google search box, opening a video on YouTube, accessing a website within Google Display Network, or interacting with a mobile app linked to Google Ads. At this point, contextual data is recorded, including location, device, time of day, search history, and recent browsing behavior. This contextual and behavioral data is then *matched against predefined audience segments* set by the advertiser (e.g., "Male, aged 25–35, interested in technology, using IOS, located in Danang"). This is where the audience targeting feature plays a crucial role.

*** Step 2: Audience Matching**

At this stage, Google's algorithms compare the user's information with the target audience criteria of active ad campaigns. Only ads with settings that match the user's context are entered into the auction.

Example: Ad Campaign A targets users searching for "laptops" but restricts the geographic area to Ho Chi Minh City. Therefore, users located in Hanoi are excluded from this targeting scope.

*** Step 3: Real-Time Auction**

Next, Google initiates a real-time bidding auction among eligible ads. Each advertiser submits: (1) A bid amount (Max CPC), (2) The ad content. Then, Google automatically calculates the Quality Score based on historical data, and the Ad Rank is computed accordingly.

*** Step 4: Ad Ranking and Selection**

Ads are ranked from highest to lowest based on their Ad Rank. Only ads that meet or exceed the minimum quality threshold are displayed. The ad position (top or bottom of page) directly depends on the Ad Rank. Remember that an ad with high Quality Score but lower bid can still outperform competitors with higher bids but lower relevance.

*** Step 5: Personalized Ad Display**

The winning ad is displayed to the user with headlines, content, and links tailored to the target audience. Ads may appear on: (1) Google Search Results Pages (Search Ads), (2) YouTube Videos (Video Ads), (3) Websites in the Google Display Network, (4) Gmail, Google Maps, and mobile applications (Al Khasawneh et al., 2023). Here, audience targeting is activated once again. Depending on the audience type (e.g., Affinity, In-Market, Remarketing, or Custom Audiences), the ad content is personalized in terms of visuals, Call-to-Action (CTA), and display timing.

*** Step 6: User Response Tracking**

At this point, Google monitors and stores user responses using performance metrics such as: (1) *Click-Through Rate (CTR)*, (2) *Time on page*, (3) *User interactions*, (4) *Conversions*. These metrics affect the Quality Score of ad auctions in future. Businesses can utilize tools such as *Google Analytics* and *Google Tag Manager* to track and analyze the effectiveness of their ads in detail.

*** Step 7: Campaign Optimization**

The machine learning system continuously updates behavior patterns and automatically suggests adjustments like increasing or decreasing the budget, removing underperforming audience groups, automatically conducting *A/B test* on different ad versions. The more detailed the targeting, the more accurate the learning data—allowing faster and more cost-efficient ad campaign optimization.

III. THE CURRENT STATUS OF GOOGLE ADS IMPLEMENTATION OF BUSINESSES IN VIETNAM

To gain deeper insights into the level of adoption of Google Ads and its targeting features among Vietnamese businesses, this study surveyed 120 small and medium-sized enterprises (SMEs) in Da Nang, Vietnam. The businesses were categorized by industry to analyze usage trends across various sectors. Below is a breakdown of the surveyed fields and key findings:

Table 1. Results of Google Ads Usage by Business Sector

Sector	Number of Businesses	Google Ads Usage Rate	Audience Targeting Usage	Effectiveness Rating (1–5)
Services	30	96%	40%	4.2
E-commerce	25	100%	80%	4.5
Education	20	85%	60%	4.0
Tourism	15	92%	70%	4.3
Manufacturing	10	50%	37%	3.8
Others	20	60%	30%	3.0

Overview, the **Google Ads adoption rate** is very high and widespread across most sectors, especially in highly competitive online industries like e-commerce (100%), service (96%) and tourism (92%). This indicates that Google Ads has become an indispensable tool in the digital marketing strategies of many businesses. However, some sectors, such as manufacturing and other sectors show lower adoption rates (50%-60%), suggesting potential for future growth and expansion.

Regarding the **level of targeting usage** for advanced features varies significantly between industries. Sectors with a strong online customer focus, such as e-commerce and tourism (80%, 70%), demonstrate effective utilization of targeting features to optimize campaigns. Conversely, industries like services and manufacturing still have limited use of these tools, primarily due to a lack of specialized personnel or data analytics knowledge. This highlights the need for training and capacity building in targeting to improve overall effectiveness.

The **effectiveness of Google Ads** results also show notable differences. Industries with high adoption rates and extensive targeting usage typically achieve better results, particularly in e-commerce (4.5). Other sectors, despite potentially high adoption, see moderate or improvable effectiveness due to their failure to optimize the use of targeting tools. This underscores the importance of not just using Google Ads, but using it intelligently and optimally, especially when it comes to targeting the right audience.

Due to poor targeting optimization, the overall ad effectiveness remains limited. The data show that e-commerce and tourism sectors are leveraging Google Ads and its targeting features more effectively than other industries. Meanwhile, sectors like services and manufacturing need to improve how they utilize targeting tools to enhance the impact of their advertising campaigns.

Table 2. Common targeting types are used by sectors

Industry	Popular Ad Formats	Key Targeting Types	Average CTR
E-commerce	Search (8), Search-Display (6), Display (4)	Interests (6), Geography (6), Custom (5)	15.7%
Tourism	Search (8), Search-Display (6), Display (4)	Interests (6), Geography (6), Custom (5)	15.7%
Education	Search (8), Search-Display (6), Display (4)	Interests (6), Geography (6), Custom (5)	15.7%
Other Services	Search (8), Search-Display (6), Display (4)	Interests (6), Geography (6), Custom (5)	15.7%

* **Popular Ad Formats:** *Search Ads* are the most widely used across all four groups due to their effectiveness when users are actively searching for specific information. They are often combined with *Display* and *Shopping Ads* to broaden reach.

* **Targeting Features:** *Interest-based* and *geographic* targeting are the most frequently used, indicating that businesses prioritize reaching users with matching online behaviors in specific locations.

* **Campaign Performance:** On average, CTR increases by **approximately 15.7%** after applying targeting features. Businesses using **Remarketing** or **Custom Audiences** recorded CTRs exceeding **20%**, but only about **12% of businesses** were utilizing these tools.

IV. CONCLUSION AND RECOMMENDATIONS

This study has clarified the critical role of audience targeting in Google Ads in improving advertising performance—especially for small and medium-sized enterprises (SMEs). The survey conducted in Da Nang demonstrates that proper and comprehensive application of targeting tools can lead to significant improvements in user engagement and conversion rates. However, many businesses still fail to fully leverage the potential of Google Ads, due to limited knowledge, resources, or access to quality data. To enhance the effectiveness of Google Ads campaigns for Vietnamese businesses, efforts are required from both companies and supporting organizations. The following are recommended solutions:

First, build a deeper understanding of customer behavior: SMEs should encourage their marketing personnel to develop more in-depth insights into the behaviors, interests, and online habits of their target customers using tools such as: Google Analytics, Google Search Console, Market research platforms. This will allow them to construct detailed customer personas tailored to each campaign.

Second, apply multi-layered targeting criteria: Instead of using only a single targeting criterion (e.g., geographic or interest-based), businesses should combine multiple layers such as: **Geolocation + Demographics + Interests + Remarketing**. They should increase the use of advanced audience types like: Affinity, In-Market, Custom Intent, Remarketing, Customer Match. These combinations help narrow down the audience and increase precision. The specific tactics include:

- **Effectively utilize Remarketing:** SMEs are encouraged to apply remarketing strategies extensively. This can start with setting up Google Tag Manager and Google Analytics to track user behavior on websites, YouTube videos, or mobile apps. From there, businesses can create remarketing audience lists tailored to different stages in the sales funnel.

- **Leverage Custom Audiences:** For SMEs with existing customer databases (e.g., emails, phone numbers) stored in CRM systems, it is crucial to utilize the Customer Match feature to upload and target these audiences. This is a powerful tool for re-engaging existing customers or discovering new customers with similar characteristics.
- **Explore Custom Intent Audiences:** Businesses should analyze the keywords and URLs that their target customers are searching for or visiting in order to build Custom Intent Audiences. This helps reach users who are actively considering purchasing or researching related products/services.
- **Continuously run A/B testing:** Perform A/B tests across different audience segments to determine which groups drive the highest performance. This approach enables advertisers to optimize their advertising budget over time.

Third, improve ad content and landing page quality: Personalize ad content by create ad variations with headlines, descriptions, and images tailored to different target audience groups. Personalized content increases relevance and encourages user interaction. Even the best-targeted ad may fail if it leads to a poor landing page. Businesses must ensure that landing pages are: Highly relevant to the ad content, Fast-loading, Mobile-friendly, and Equipped with clear Call-to-Action (CTA) buttons.

By applying these strategies, Vietnamese SMEs can better maximize the return on investment (ROI) of their digital advertising efforts and remain competitive in an increasingly digital marketplace.

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