Module:4

Assignment

Question:1

What are the main factors that can affect PPC bidding?

**Answer:**

### 1. Keyword Competition

* The more advertisers bidding on the same keyword, the higher the CPC (cost-per-click).
* Highly commercial keywords (e.g., “buy insurance online”) usually cost more than informational ones (e.g., “what is insurance”).

2. Quality Score (Google Ads factor)

* Google assigns a Quality Score (1–10) to keywords based on:  
  + CTR (Click-Through Rate) history
  + Ad relevance to the keyword
  + Landing page experience
* A higher score reduces CPC and improves ad position.

3. Ad Rank

* Google uses the formula:  
   Ad Rank = Bid × Quality Score × (Ad Extensions & Format Impact)
* Even if you bid less, you can win higher positions with a better Quality Score.

4. Bidding Strategy

* Manual CPC, Enhanced CPC, Target CPA, Target ROAS, and Maximize Conversions all influence how aggressively the platform bids on your behalf.
* Automated strategies may increase bids dynamically if the algorithm predicts higher conversions.

5. Audience Targeting

* Narrow targeting (specific locations, demographics, device types, interests) can raise CPC if competition is high within that audience.
* Broad targeting often has lower costs but weaker conversion intent.

6. Ad Relevance & Copy

* Strong ad copy aligned with user intent improves CTR.
* Higher CTR → better Quality Score → lower CPC.

7. Landing Page Experience

* Fast-loading, mobile-friendly, and relevant landing pages improve conversion rates and Quality Score.
* Poor landing pages can lower ad performance and raise CPC.

8. Device & Location

* CPC varies across devices (mobile vs desktop).
* Location targeting: High-value regions (e.g., big cities) usually have higher CPC due to competition.

9. Time & Seasonality

* Costs can spike during peak hours, weekdays, or seasonal periods (Black Friday, festive sales).
* Bids should be adjusted accordingly.

10. Budget & Competition Dynamics

* If competitors raise their bids, CPC increases.
* Small budgets may limit visibility, affecting auction competitiveness.

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Question:2

How does a search engine calculate actual CPC?

**Answer:**

In PPC (like **Google Ads**), you don’t usually pay your **maximum bid**. Instead, you pay just enough to beat the advertiser below you. This is done through an **auction system** where the **actual CPC** is calculated.

**Formula for Actual CPC**

Google Ads uses this formula:

Actual CPC=Ad Rank of the competitor below youYour Quality Score+0.01\text{Actual CPC} = \frac{\text{Ad Rank of the competitor below you}}{\text{Your Quality Score}} + 0.01Actual CPC=Your Quality ScoreAd Rank of the competitor below you​+0.01

* **Ad Rank** = Bid × Quality Score × (extensions/format impact).
* The + 0.01 ensures you pay just slightly more than the competitor beneath you.

**Step-by-Step Example**

Suppose 3 advertisers bid for the same keyword:

| **Advertiser** | **Max Bid** | **Quality Score** | **Ad Rank (Bid × QS)** |
| --- | --- | --- | --- |
| A | $6 | 5 | 30 |
| B | $4 | 7 | 28 |
| C | $3 | 9 | 27 |

Rankings based on **Ad Rank**:

1. Advertiser A (30)
2. Advertiser B (28)
3. Advertiser C (27)

Now calculate **Actual CPC**:

* **Advertiser A (Rank 1)** CPC = (Ad Rank of B ÷ QS of A) + $0.01  
   = (28 ÷ 5) + 0.01 = **$5.61**
* **Advertiser B (Rank 2)** CPC = (Ad Rank of C ÷ QS of B) + $0.01  
   = (27 ÷ 7) + 0.01 = **$3.87**
* **Advertiser C (Rank 3)** Pays just enough above the minimum threshold (depends on Google’s reserve price).

**Key Takeaways**

* **You don’t pay your max bid.**
* You only pay **just enough to beat the Ad Rank of the competitor below you**.
* **Quality Score directly reduces your CPC.** A higher QS means you can rank higher and still pay less.

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Question:3

What is a quality score and why it is important for Ads?

**Answer:**

## **What is Quality Score?**

Quality Score is a **rating (1–10)** that Google assigns to your **keywords** and ads in Google Ads.  
 It measures **how relevant and useful** your ad is to the user compared to competitors.

Google uses it as a proxy for **ad quality**.

**Factors that determine Quality Score**

1. **Expected CTR (Click-Through Rate)**
   * How likely users are to click your ad.
   * Based on historical performance of the keyword + ad.
2. **Ad Relevance**
   * How closely your ad matches the user’s search intent/keyword.
   * Example: Searching *“buy running shoes online”* →  
      Ad that says *“Shop Running Shoes Online – Free Delivery”* = high relevance.
3. **Landing Page Experience**
   * Landing page should be **relevant, fast, mobile-friendly**, and provide useful content.
   * Bad UX = lower score.

**Why Quality Score is Important?**

1. **Lower CPC (Cost-Per-Click)**
   * Higher QS = you pay less per click because Google rewards relevance.
2. **Better Ad Position (Ad Rank)**
   * Ad Rank = Bid × Quality Score.
   * Even with a smaller budget, high QS can get you a top position.
3. **Higher ROI**
   * Relevant ads = higher CTR = more conversions.
   * You spend less for better results.
4. **Competitive Advantage**
   * You can **outperform competitors** who bid higher but have lower-quality ads.

**Example:**

* **Advertiser A**: Bid $6, QS = 5 → Ad Rank = 30
* **Advertiser B**: Bid $4, QS = 9 → Ad Rank = 36

Even though A bids higher, B wins the top position because of a better Quality Score.

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