

Module - 4

1. What are the main factors that can affect PPC bidding?

Pay-Per-Click bidding is influenced by a mix of internal strategy and external market factors. Here are the main factors that can affect PPC bidding:

1. Keyword Competition

- Highly competitive keywords (e.g., “insurance,” “loans,” “SEO services”) drive up bid costs because many advertisers are competing for the same terms.
- Long-tail or niche keywords usually have lower CPCs.

2. Quality Score (Google Ads specific)

- Google considers **CTR (Click-Through Rate), Ad Relevance, and Landing Page Experience.**
- A higher Quality Score can lower your **actual CPC** even if competitors bid higher.

3. Ad Rank Formula

- $\text{Ad Rank} = \text{Bid} \times \text{Quality Score} \times \text{Ad Extensions (expected impact)}$.
- Even with a lower bid, you can win higher positions if your ad is highly relevant and optimized.

4. Targeting Options

- **Location targeting** (bids are higher in urban/competitive areas).
- **Device targeting** (mobile vs desktop — CPCs may differ).
- **Time of day / Day of week** (peak hours vs off-peak).
- **Audience targeting** (remarketing audiences often cost less per conversion).

5. Industry & Market Trends

- CPCs vary by industry (finance, law, healthcare are expensive; crafts, hobbies are cheaper).
- Seasonal demand (e.g., “flights” in holidays, “gifts” during Christmas) pushes bids higher.

6. Bid Strategy

- **Manual CPC vs Automated Bidding:**
Maximize Clicks, Target CPA, Target ROAS, Maximize Conversions—these strategies can change bid levels automatically.
- Automated strategies may increase CPC for more conversions.

7. Budget & Competition Pressure

- If competitors increase bids or enter the market aggressively, CPCs go up.
- Smaller budgets may lose out on impression share during peak times.

8. Ad Relevance & Extensions

- Ads with **sitelinks, callouts, structured snippets** often get higher CTR → improving Ad Rank → reducing CPC.
- Poor ad copy leads to wasted spend.

9. User Behavior & Conversion Rates

- High bounce rates or low conversions = wasted spend → requiring bid adjustments.
- If your audience converts well, you may afford higher bids profitably.

10. Platform & Auction Dynamics

- Google Ads vs Bing Ads vs Social Media Ads (CPCs differ widely).
- Real-time auction means bids fluctuate based on who else is bidding at that moment.

In short: Your PPC bidding is shaped by **competition, relevance, budget, targeting, and Google's Quality Score system**.

2. How does a search engine calculate actual CPC?

Search engines don't just charge you your maximum bid. Instead, they use an auction system to determine your Actual CPC (Cost Per Click). Here's how it works:

1. Formula for Actual CPC:

In Google Ads, the simplified formula is:

$$\text{Actual CPC} = \frac{\text{Ad Rank of competitor below you}}{\text{Your Quality Score}} + 0.01$$

2. Step-by-Step Process:

1) Advertisers enter bids

- a) Each advertiser sets a maximum CPC bid (the highest amount they're willing to pay for a click).

2) Ad Rank is calculated

- a) $\text{Ad Rank} = \text{Bid} \times \text{Quality Score} \times \text{Expected Impact of Extensions}$
- b) This determines the position of the ad in search results (not just the bid alone).

3) Ads are ordered

- a) The highest Ad Rank gets the top spot, the next second, and so on.

4) Actual CPC is set

- a) You don't pay your max bid.
- b) Instead, you pay just enough to beat the Ad Rank of the advertiser below you, adjusted by your Quality Score.

3. Example:

Let's say 3 advertisers are bidding on the same keyword:

- Advertiser A: Max Bid = \$6, Quality Score = 10 → Ad Rank = 60
 - Advertiser B: Max Bid = \$8, Quality Score = 5 → Ad Rank = 40
 - Advertiser C: Max Bid = \$4, Quality Score = 6 → Ad Rank = 24
- Ad Positions (sorted by Ad Rank):
1st → Advertiser A (60)
2nd → Advertiser B (40)
3rd → Advertiser C (24)

Now, Advertiser A's Actual CPC = $(\text{Ad Rank of B} \div \text{Quality Score of A}) + \0.01
 $= (40 \div 10) + 0.01$
 $= \$4.01$

- Even though A bid \$6, they only pay \$4.01 per click.

4. Key Takeaways:

- You never pay your max bid unless necessary.
- Quality Score reduces cost — higher Quality Score means lower CPC.
- You pay just enough to outrank the advertiser below you.

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

What is a Quality Score?

Quality Score is a metric used by platforms like Google Ads to measure the relevance and quality of your ads, keywords, and landing pages. It is usually rated on a scale of 1 to 10, with 10 being the best.

It's calculated based on three main factors:

1. Expected Click-Through Rate (CTR): How likely users are to click your ad when they see it.
2. Ad Relevance: How closely your ad copy matches the intent behind the user's search.
3. Landing Page Experience: How useful, relevant, and user-friendly your landing page is for people who click the ad.

Why is Quality Score Important?

1. Lower Costs (CPC):
 - A higher Quality Score reduces the amount you pay per click.
 - This means you can achieve better results with the same budget.
2. Better Ad Placement:
 - Ads with higher Quality Scores often appear higher on the search results page, even if you bid less than competitors.
3. Higher ROI:
 - Since you're paying less for better positions and more clicks, you get more value from your ad spend.
4. User Experience:
 - A high score means your ads are relevant, leading to a better experience for searchers. This improves brand trust and conversions.
 - **👉 In short:** Quality Score tells Google how useful and relevant your ads are. The higher it is, the less you pay, and the better your ads perform.

