

Module - 4

Question - 1

What are the main factors that can affect PPC bidding?

Pay-Per-Click (PPC) bidding is influenced by several key factors such as keyword competition, quality score, ad relevance, and audience targeting. Highly competitive keywords raise costs, while a strong quality score—driven by better CTR, landing page experience, and ad relevance—can lower your CPC. Other elements like bidding strategy, industry trends, seasonality, and competitor activity also impact ad placement and cost. In short, PPC bidding is a balance between how much you bid and how well your ads perform in meeting user intent. Here are the **main factors that affect PPC bidding**:

~>Keyword Competition :

- **Why it matters:** The more advertisers bidding on the same keyword, the higher the cost-per-click (CPC).
- **Example:**
 - Keyword "buy shoes online" → high competition, CPC = ₹50+
 - Keyword "buy red running shoes online in Surat" → less competition, CPC = ₹10–₹20
- **Tip:** Use long-tail keywords to get cheaper, more targeted clicks.

~>Quality Score (QS) :

Google Ads uses Quality Score (1–10) to rate your keyword and ad relevance.

- **Components of QS:**

- **CTR (Click-Through Rate):** Higher CTR means your ad is relevant.
- **Ad Relevance:** Your ad text should match the user's search intent.
- **Landing Page Experience:** Should load fast, be mobile-friendly, and match the ad promise.

- **Impact:**

- Higher QS = Lower CPC (you pay less for the same ad position).
- Example: Two advertisers bidding ₹100. If one has QS 5 and the other has QS 10, the second one may pay only ₹60–₹70 for the same spot.

~>Ad Rank :

- **Formula: Ad Rank = Max CPC × Quality Score × Ad Extensions Impact**
- Determines your ad position on Google.
- Even with a **lower bid**, a higher QS can help you outrank competitors.

~> Audience Targeting :

- Bids change depending on **who, where, and when** you target.
- **Factors include:**
 - **Location:** Big metro cities often have higher CPC than small towns.
 - **Device:** Mobile vs. Desktop (mobile often more competitive).
 - **Time & Day:** CPC is higher during business hours or peak times.
 - **Demographics:** Targeting high-value audiences (e.g., age, income level) may raise CPC.

~> Bidding Strategy :

- **Manual CPC:** You set bids manually → more control, more effort.
- **Automated Bidding:** Google adjusts bids based on goals:
 - **Maximize Clicks** – Get as many clicks as possible within budget.
 - **Target CPA (Cost Per Acquisition)** – Optimize for conversions.
 - **Target ROAS (Return on Ad Spend)** – Focus on profitability.
- Automated strategies may temporarily increase bids but usually improve ROI.

~> Industry & Seasonality :

- **Industry:**
 - Legal, insurance, finance, healthcare → very high CPC due to high customer value.
 - Travel, fashion, education → moderate CPC.

- **Seasonality:**

- Festive sales, holidays, Black Friday, Diwali → more advertisers enter → CPC spikes.
- Off-season → CPC goes down.

~> **Competitor Activity** :

- If competitors increase bids, you must bid higher to keep top positions.
- If competitors lower spend or exit, CPC becomes cheaper.
- Competitor's ad quality also impacts how much you need to bid.

~> **Ad Extensions & Format** :

- Sitelinks, callouts, price extensions, structured snippets → increase CTR.
- Google rewards higher CTR with better Ad Rank.
- Better Ad Rank = You pay less for clicks than someone with a poor ad.

~> **Budget & Impression Share** :

- Limited daily budgets can restrict impressions → higher effective CPC.
- Larger budgets let ads compete more often and potentially win cheaper clicks.

Question - 2

How does a search engine calculate actual CPC?

In PPC advertising (like Google Ads), the **Actual CPC** is the real amount you pay for a click, and it's usually **less than your maximum bid**. Search engines use an **auction system** to calculate it.

~>The Ad Auction :

- Every time someone searches, Google runs an **auction** among all advertisers bidding on that keyword.
- Each advertiser's **Ad Rank** is calculated:

$$\text{AdRank} = \text{MaxCPC1Bid} \times \text{QualityScore} \times \text{AdExtensionImpact}$$

- ImpactAds are sorted by **Ad Rank**, not just by bid.

~>Your Actual CPC Formula :

Google doesn't charge your full max bid. Instead, you pay just enough to beat the **Ad Rank of the competitor below you**:

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

- **Ad Rank** = Bid × Quality Score × (impact of ad extensions & formats).
- You pay just enough to beat the advertiser ranked below you.

- Example :

- **Advertiser A:** Bid ₹50, QS 10 → Ad Rank = 500
- **Advertiser B:** Bid ₹70, QS 6 → Ad Rank = 420
- **Advertiser C:** Bid ₹90, QS 4 → Ad Rank = 360

~>**Order:** A (1st), B (2nd), C (3rd).

- Advertiser A pays: $420 \div 10 + 0.01 = ₹42.01$
 $420 \div 10 + 0.01 = ₹42.01$
- Advertiser B pays: $360 \div 6 + 0.01 = ₹60.01$
 $360 \div 6 + 0.01 = ₹60.01$

Even though A bid ₹50, they pay only ₹42.01, thanks to a higher Quality Score.

~> Why Quality Score Matters :

- Higher **Quality Score** means your **Ad Rank** is higher even with a lower bid.
- This reduces your **Actual CPC** because you need less money to stay above competitors.
- **Example:** If your competitor has a lower QS, you might still win the top spot with a smaller bid.

~> Other Factors in Actual CPC :

Besides Quality Score and competitor Ad Rank, Google also considers:

- **Ad Formats & Extensions** (sitelinks, callouts, etc.) → Improve CTR → Lower CPC.
- **Auction-time signals** → Device, location, time, audience intent.
- **Bidding Strategy** → Manual CPC vs Smart Bidding (Target CPA, ROAS).

~> Key Insights :

- You **never pay more than your max bid**.
- The **better your ad quality**, the less you pay.
- Actual CPC is **dynamic** – it changes every time an auction happens.
- Competitors' actions directly affect your CPC.
- **summary:**

Actual CPC is calculated by dividing the Ad Rank of the competitor below you by your Quality Score, plus a small increment. This system rewards **relevance and quality** so advertisers with better ads often pay **less** than those with just high bids.

Question - 3

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

What is Quality Score ?

Quality Score is a **Google Ads metric** (scale **1–10**) that measures how relevant and useful your **keywords, ads, and landing pages** are to a user's search. It's Google's way of rewarding advertisers who provide a good user experience.

~> Components of Quality Score :

1. **Expected CTR (Click-Through Rate):**

- Prediction of how often your ad will be clicked.
- Higher CTR signals that your ad is relevant.

2. **Ad Relevance:**

- How closely your ad text matches the search query.
- Example: If the keyword is *"Buy running shoes online"*, an ad saying *"Shop Running Shoes – Free Delivery"* is more relevant than *"Shop Sports Gear."*

3. **Landing Page Experience:**

- Measures page speed, mobile-friendliness, and content relevance.
- The landing page should fulfill the promise of the ad.

~> Why is Quality Score Important?

1. **Lower Cost Per Click (CPC):**

- Higher QS = You pay less for each click.
- Example: With QS 9, you might pay ₹30 CPC, but with QS 4, you may pay ₹60 for the same keyword.

2. Better Ad Position (Ad Rank):

- $\text{Ad Rank} = \text{Bid} \times \text{Quality Score}$.
- Even with a lower bid, a higher QS can place your ad above competitors.

3. Higher ROI (Return on Investment):

- Lower CPC + higher visibility = more conversions at less cost.

4. Improved User Experience:

- Users find ads more relevant.
- Google rewards advertisers who provide value, not just those who spend more.