

Google Ads - Bidding

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The Google Ads platform, as you have no doubt realised by now, is quite complex and advanced. And with the rise of machine learning these last few years, it has only grown in complexity. However, the fundamentals remain the same - choosing strategic keywords, writing appealing ad copy, and having a winning bidding strategy. These are the 3 key ingredients in any successful ad campaign on Google.

So let's break things down a little further to better understand how the bidding process actually works.

Auction

Once a search is entered on Google, the search engine processes the request and runs the auction which will then determine the ad positions and each advertiser's CPC. The auction gets run billions of times each month. The results are such that users find ads that are relevant to what they're looking for, advertisers connect with potential customers at the lowest possible prices and Google rakes in billions of dollars in revenue.

Bidding

The actual position of your ad is determined by your ad rank (Maximum Bid times Quality Score). The highest ad rank gets the 1st ad position. Your actual CPC will be determined by the ad rank of the next highest ad below you divided by your Quality Score. The only exception of this rule is when you are the only bidder or the lowest bid in the Ad auction; then you pay your maximum bid per click! Ad bidding heavily penalizes advertisers who bid with low quality scores. Conversely, those with high Quality Scores get higher ad ranks and lower CPC.

Quality Score

This is a metric Google uses to determine how relevant and useful your ad is to the user, based primarily on your ad's CTR, keyword relevance, and the quality of your landing page. The higher your Quality Score, the better: high Quality Score keywords will save you money and earn you better ad rankings.

Ad Rank

The ad rank is how high on the page the advertisement will be displayed. Quality Score on the other hand is determined by the relevance and usefulness to the searcher and is only a portion of the advertisement positioning process. As of 2013, Google's Quality score has become more and more valuable as the average quality score has changed from a 7 to 5. Some often-overlooked bidding mistakes include:

Bidding too low

You can tell if you're bidding too low by checking your average position. If your average position is below 6, you're often bidding too low. Consider increasing your CPC bid or pausing the keyword if the increase in CPC will make the keyword unprofitable.

Bidding below first page bid estimate

This can often be the case for new advertisers who don't know how to set the bidding (or revise it). If you have a lot of keywords where your bidding is below the first page bid estimate, consider increasing your CPC.

Bidding too high

If your bidding is too high and your budget is in effect limited, you risk not getting as many clicks out of your daily budget as you could with a lower bid. It might sound contradictory (I've had to explain this two or three times to new clients), but by decreasing your position and CPC, you'll sometimes see an increase in clicks.

There is a TON of data out there on a variety of bidding strategies. I encourage you to spend time learning the advantages and disadvantages of any strategy which is relevant to your campaign. Just remember to keep testing until you find what works best for you and your campaigns!

Google Ads Bidding Progression

At campaign launch, use "Maximize Clicks" bidding until you have 3-4 conversions, then switch to "Enhanced CPC" and once you have ~15 conversions switch to "Maximize Conversions". Finally, once you hit 30 conversions, you can switch to "Target CPA" and set the CPA to an appropriate number based on the bidding progression you just went through.