

## **Section 6: Google Ads Dynamics - Overview:**

In this section of the course, I'm going to go through the importance of what we call the quality score. I'm going to go for the four different components that make up my quality score. I'm also going to go through the importance of what we call ad rank and show you exactly how your ad rank is calculated. I'm also going to show you exactly how Google determines how much you pay when someone clicks on one of your ads. And lastly, I'm going to show you some examples of when you can and when you cannot ignore a low-quality score. So without further ado, let's dive into this section, which is personally one of my favorites.

## **Section 6: Understanding Quality Score:**

Quality score. In order to first understand what quality score is and how it came to be, it's important to first understand what Google is at its most fundamental level. Google is a massive referral service. People come to Google looking for referrals when people need to find information on the internet. They ask Google this question by typing in a question into the search box and Google provides websites that hopefully contain the information that Google's customers, which is you, was looking for. It stands to reason, from a business perspective, that Google cares a great deal about how relevant their suggestions or referrals are to the customers. The better a webpage gives you an answer to your question and provides you with the information you were looking for, the more likely you will be to use Google again in the future.

If you carried out a search for blue hats and then Google returns results for red hats, you aren't going to be happy. In the future, you may even use another search engine such as Yahoo or Bing. This is why it's super important for Google to ensure the results it returns to users are indeed relevant. This applies to both the paid ad section and the organic section too. As you can see from the screenshot, we have a lawyer in London and we have free ads for London lawyers, an award-winning law firm. That is relevant to what I searched for in Google. Same with the second and the third ad.

If you look at the organic results on the right-hand side, you can see the top results say the best lawyers in London, which is super relevant to what I typed in, lawyer London. Then we have a second result below, solicitors in London, Duncan Lewis Solicitors, which is obviously a local

lawyer firm in London as well. The results Google serves up, it needs to be relevant to ensure the customer has a good user experience.

Now, if you remember what I said at the beginning of the course, ads account to 97% of Google's revenue. Quality score, in a basic form, is Google's way of ensuring that customers have the same high-quality referral experience from a paid ad as they do with organic results. Now we understand what quality score aims to do at a conceptual level, let's look at exactly how it works and how it's calculated.

One of the first things you need to be familiar with is something called ad rank. Ad Rank is a number which determines which slot your ad will show in. The advertiser with the highest ad rank gets their ad placed the highest on Google SERPs, which stands for search engine results page. The question is how does Google calculate your ad rank? Great question. Let's look at how ad rank was calculated before Google introduced quality score, which for those who are interested, was in 2005.

The auction before the quality score existed. Just to confirm, this is the way Google used to operate before they made a quality score. Let's imagine we have three people. We have Ben, we have Sally and we have Tom. Now all three of these people, both own e-commerce stores and they both sell men's hoodies. As a result, they all run Google Ads and they tell Google to show my ad anytime someone searches for men's hoodies. Ben goes into his Google Ads account and he sets his maximum cost per click at \$1. Sally goes into her account and sets her maximum cost per click at \$2. Tom sets his maximum CPC at \$3. In this scenario, we have three different advertisers with three different maximum cost per click. Back in the day, Google would literally give Tom the highest ad rank, which would be ad rank number three and because he has ad rank number three, his ad will show at the top of Google.

Sally, with the second-highest max CPC, would get ad rank number two and as a result, be in position two. Ben with his \$1 maximum CPC, he would have added rank number one and as a result, would be in position three. As you can see, back in the day, Google only really used to take into consideration what your maximum CPC was. Now not to confuse matters that are no longer relevant, but CTR, which stands for click-through rates, did in fact play a role in determining ad rank back in the day as well. Essentially, out of rank was calculated by your maximum CPC times your CTR. The reason why Google added the CTR element into the ad rank calculation because a keyword with a very high bid but no clicks was not only relevant to users, but it also wasn't making Google any money no matter how much that advertiser was willing to pay for a click.

What's important to note is that before the quality score was introduced, the highest ad rank was essentially given to the highest bidder. When the quality score was introduced, everything changed and things got a little more trickier. As we saw in the last slide, calculating ad rank based solely on the advertiser's maximum CPC isn't a great way to go and it can result in a very poor user experience.

As long as your pockets were deep enough, you could appear on the first page with highly irrelevant ads. You could literally go onto Google and search for an office chair and then see a bunch of ads all to do with car insurance. Google being a premium search engine. It didn't want this to happen. As a result, they introduced a quality score in 2005 to try and combat this.

Before we dive into how Google calculates a quality score, let's run through some important key things you should know about first. The first is every single keyword in your account has a quality score on the 1 to 10 scale. To view your quality score, you simply need to add the column to your data overview. Let's head over to our Google Ads account now and I'll show you exactly how you can add this. Once you are logged into your Google Ads account, what you need to do is go into the campaign and then go into any ad group. This will now take you on a page where you can see all of your keywords. Once you're on this page where you can see your keywords, you need to go over to the right-hand side where it says columns, give that a click and then click modify columns. This is now going to open a page, which looks similar to this. What you want to do is go to the second from the bottom and click quality score, expand the menu, and then make sure you have this box checked.

Once you've done that, you want to go down and click apply. This is now going to add a column to your overview, which is going to show your quality score. If you'd like to move this column to the front of your data, all you need to do is go back into the columns, click modify, and then simply pick the quality score and drag it up to the top of the data like so. You can see it's now between clicks and impressions. Let's click apply and that's now going to move the quality score column to the front of our data overview.

Another important thing to note is that historical keyword-level quality score is not available inside of Google Ads account. In other words, you can only see what your quality score is at present and you can't see what it was in the past. You can't see what your quality score was last week, yesterday, last month, or last year, you can only see what it is at present. Whilst Google has never officially confirmed this themselves, it's generally thought that your overall account has a quality score in some way or another, which affects your overall performance.

In any case, the better your keyword-level quality score, the better your account will be. The display network quality score is another murky area and it's known that improving your click-through rate on any non-search campaigns can improve the efficiency of your display campaigns as well. However, for our purpose here, we're going to be focusing on tangible data, which is a quality score for the search network. In the next video, we're going to look at the four main components that make up a quality score. I'll see you there.

## **Section 6: The 4 Components That Make Up Quality Score:**

So now we have a good understanding of quality score, it is time to look at the four components which actually make up the quality score number. Those four things are number one, the click-through rate, also known as CTR. The second is the keyword to ad relevance. The third is the keyword to query relevance. And the fourth is landing page quality. So these are the four components which make up your quality score. So let's look at all of them in a little bit more detail.

So let's start off with a click-through rate. So click-through rate, or CTR, is the percentage of people that click your ad after seeing it. So how is it calculated? Your CTR is calculated by your clicks divided by your impressions times 100. This is how you get your CTR percentage. So if your ad is shown 10 times and out of those 10 times, it generates one click. You would have a CTR of 10%, as one divided by 10 times, 100 equals 10. In other words, 10% of people who saw your ad actually clicked on it. It goes without saying the higher your CTR, the higher your quality score will be. If more people are clicking your ads, then it's a good signal to Google that your ad must be relevant. And of course, when people click your ads, Google make money. So it's in Google's best interest to show the ads which generate the most clicks towards the top of the search results.

So a question I get asked a lot is what is a good CTR? Now it's really important to note that there is no concrete answer to this. In fact, a good CTR is actually industry-specific. For example, you could be operating in an industry such as insurance or mortgages, something along those lines where it's extremely competitive. So as a result, the CTR, just by default, is going to be a lot lower than if you're running ads for a local business. This is why you can't get this a definitive answer; however, as a general rule of thumb, and to give you some context, always aim for 5% and above.

So how does Google know what a good CTR is? Well, chances are you are not the first advertiser in your industry with your keywords. So Google has tons and tons of data on what other advertisers have done in the past, and it uses that data as a metric to determine what is good and what is bad. This also correlates to what I said before about how to not be in one global good CTR is all going to be industry-specific. What's good to note as well is that Google does take your ad rank or your ad position into consideration when calculating if your CTR is good or not, as the ads right at the top of Google in the first place is going to have a higher CTR than an ad in the third position. So Google uses your position to determine what is a good CTR. In other words, if you're in position three, Google is going to look at CTRs for other ads that are also in position three in the industry that you are operating in.

The second component of the quality score is the keyword to ad relevance. So relevancy between the keyword you are targeting and your ad text is super important. So you don't want to create an ad for a reversible yoga mat. So basically what this means is your ad text must be relevant to the keyword you are bidding on. So as you can see from the screenshot below, I've gone onto Google and I've typed in a reversible yoga mat. And I have two ads at the top of the page, one from a website called Lululemon, and the second ad is from Amazon. The first ad says, "Shop Reversible Yoga Mats." Perfect, as I went into Google and I typed in reversible yoga mats. So the keyword and the ad relevance is going to be extremely high. It's exactly the same for the ad by Amazon, as you would expect. "Buy Reversible Yoga Mats at Amazon." Both of these ads are really good examples of showing you how the keywords and the ads are extremely relevant.

One thing you want to bear in mind is that you want to avoid keyword stuffing. This is not what Google wants to see. So don't just create an ad to say, "Reversible Yoga Mats. Check out our yoga mats that are reversible." That is not natural to the user. Make sure that your ad text always reads correctly. It's also good practice to try and include your main keywords in your headlines as well. So whilst you want to avoid keyword stuffing, it is good practice to try and include the main keywords in your headlines.

The third component of the quality score is the keyword to query relevance. The sentence phrase or question a user types into the Google search box is referred to as a query. So whereas your keywords trigger ad impressions, user queries trigger results pages also known as SERPs. Google calculates the quality score for your keywords in real-time every single time a search was performed. One of the factors that go into your overall time and quality score is the relevance between the user's query and the keyword that triggered your ad impression. Likewise, Google also takes into account the relevancy between the query and the ad copy that's going to be triggered by the keyword. The same reason it applies to the keyword ad text relevance we just discussed before. Google understands that the more relevant a searcher's

query is to an advertiser keyword and ad text, the more relevant and useful that overall user experience is likely going to be.

The fourth component of a quality score is landing page quality. Landing page relevance is the least weighted factor, but it still plays a big role in determining your quality score. In essence, your landing page needs to be relevant to the keyword you're targeting, along with your ad text. To give you an example, if someone clicks on your ad after searching for air-con units, they should land on a page which is relevant to air-con units. They should not land on a page where it talks about desk fans or wireless mics. It needs to be relevant. If the landing page is not relevant, the user isn't going to be happy and Google is going to be aware of this, and it's going to bring down your overall quality score. But if you answer the user's query and give the user what they're after, which is what they searched for, then you'll have no issues to worry about.

So now we've gone through the main components which make up the quality score. It's time to look at how important they are in terms of weight. So as you can see, there were four components we went through. However, in this pie chart, I am only showing three elements, that is because two of the elements are both to do with relevancy and both come under the term relevance. So if we look at this, we can see CTR has roughly a 65% weight in regards to quality score. So that is how important your CTR is when determining your quality score. Now as you will already know, your CTR is going to be composed of your ad to keyword CTR history, your account CTR history, even your geographical CTR history as well. So what's good to know as well is that when Google determines if a CTR is good or not, it also looks at a geographical area, as CTRs can vary greatly from one country to another, even from city to city.

Relevancy has roughly 25% weight when it comes to quality score. And just to confirm that as well, your relevancy is going to be made up of things such as your keyword to ad relevance, your keyword to query relevance, your keyword to ad copy, and landing page relevance. These are all the components which are going to make up your relevancy section.

And lastly, we have landing page quality, which accounts for roughly 10%. So your landing page quality is mainly going to be things such as, does your landing page meet what your ad text says? Does it meet what the keyword sets and does it follow the right customer flow? And on top of that as well, you need to have a load fast on the landing page and ensure it's easy to navigate around, especially on mobile devices.

So now we have a really good understanding of what quality score is, how it works, all the different relevant factors, and how much weight they have, we can now jump into ad rank and really figure out how our actual cost per click is calculated. I'll see you in the next video.

## **Section 6: Understanding Ad Rank And How It Is Calculated:**

How to calculate your ad rank. You now understand the quality score and the auction, so in this video, we're going to go through exactly how Google determines your ad rank.

As discussed in the last video, your ad rank number is super important and determines how high your ad is positioned on the Google search engine results page. The old ad rank formula didn't account for quality scores. Essentially the highest bidder won the highest spot, as your maximum cost per click was the most important factor when calculating ad rank. However, as you all already know by now, this formula wasn't the best. So what Google did was change it in 2005, and it actually changes drastically, so let's have a look at the new ad rank formula.

The new rank formula is now  $\text{ad rank} = \text{your maximum cost per click bid} \times \text{your quality score}$ . This new formula is way more comprehensive than the old formula. The formula stayed this way until 2013 until Google introduced the expected impact of ad extensions on CTR as part of the ad rank formula. Now, if you're not sure what ad extension is, then don't worry as I'm going to be going through that in great detail in the next section of the course. However, for now, all you need to know is that ad extensions are important and they can help you improve your CTR. Google discovered that different sorts of ad extensions, such as call-outs, and reviews, can have a positive impact on your CTR, and as a result, they included these projections into the ad rank formula. But even till this date, no one is certain as to exactly how the formula changed to accommodate these ad extension factors.

It's widely accepted that ad extensions account for about 20% of the quality score portion of the current ad rank formula. But whether or not that number is precisely accurate, we can be pretty confident that it's not much more than that because so many advertisers are using ad extensions, and because it's a pretty small factor by itself. As a result, we'll continue by evaluating some example scenarios with the primary formula, which is that  $\text{rank} = \text{maximum CPC} \times \text{quality score}$ .

To see how this all works in the real world, let's go through a live example auction. Let's imagine we have five different people. We have Ben, Sally, Tom, Simon, and Louise. Now, all five of these individuals are bidding on the same keyword. Ben goes into his Google Ads account and he sets his maximum cost per click at \$10. Sally sets her maximum cost per click at \$8. Tom sets his maximum CPC at six-and-a-half dollars. Simon does five and a half dollars, and Louise sets her maximum CPC at \$2.

Now, let's just imagine that Ben has a quality score of one, Sally has a quality score of two, Tom has a quality score of seven, Simon has six, and Louise has 10. Now, if we use the formula above, ad rank equals maximum CPC bid times quality score, we can actually figure out the ad rank for all of these different advertisers. So, Ben's ad rank would be 10, as 10 times one is 10. Sally's ad rank would be 16. Tom's ad rank would be 45.5. Simon would have an ad rank of 33, and Louise would have an ad rank of 20.

Now, based on this, we can figure out which advertiser is going to have their ad shown in the highest position on Google. As you can see, Tom has the highest ad rank of 45.5, so as a result, Tom is going to get position one, meaning his ad is going to show the highest on Google. Position two is going to be followed by Simon, with an ad rank of 33, which is the second-highest. Position three is going to go to Louise with an ad rank of 20, and then Sally would get the fourth ad spot of 16. So, in this scenario, Ben would actually miss out and his ad would not be shown as he has the lowest ad rank of 10, which puts him in position five, and remember, there are only four positions for this auction.

What's really good to note is that Ben has the maximum CPC. He's told Google the maximum he's willing to pay per click is \$10. That is almost double what Simon is willing to pay, where his maximum CPC is five-and-a-half dollars. Ben is literally willing to pay double that. However, his ad is not showing. The reason being is because he has a low-quality score of just one, whereas Simon has a quality score of six. So as you can see, your maximum CPC is important. However, what's even more important is your quality score. This is why it's so important to try your hardest to make sure you have the highest quality score possible, as if you get it right, you could have a lower maximum CPC.

If Simon was able to improve his landing page and his CTR, and as a result, get his quality score all the way up from six up to 10, he would now have the highest ad rank and he would take the top spot with his ad. This would mean he would be in position one, and in position two would be Tom, and then Louise would be in position three, as it was before, and Sally would remain in position four. Notice how Simon was able to increase his ad rank without increasing his maximum CPC. Again, this just shows you how important a quality score is.

The same applies in the opposite direction. Let's imagine Louise is not able to maintain her quality score of 10 and it drops down to six. This would now mean she has an ad rank of 12, which is the fourth highest. As a result, her ad will now drop down to the fourth ad slot and she would be in position four, just below Sally. So like I just said, quality score is super important and will play a massive role in regards to where your ad is going to show in Google.

Now we have a good understanding of ad rank, what we're going to do in the next video, we're going to go through exactly how Google determines how much you pay per click. I'll see you there.

## **Section 6: How Google Determines How Much You Pay Per Click:**

In this video, I'm going to show you how Google determines how much you pay per click. Now, you have to remember that this is different from what you set as your maximum CPC from within your account. Your maximum CPC is the maximum amount of money you are willing to pay per click. However, this isn't always what you're going to pay for a click. So how is your cost per click calculated? Your CPC is determined by the ad rank of the advertiser below you divided by your quality score. So let's head over to another example auction, and I'll give you a live walkthrough of how this works in the real world.

So for the purpose of this training, let's imagine it's a week later into the auction and our five advertisers have updated their maximum CPCs. And as a result, the quality scores have changed as well, which is extremely natural in the real world. So as you can see, Ben has a maximum CPC of \$2.50, Sally has \$7, Tom has \$2, Simon has \$3, and Louise has \$9. So Ben has an ad rank of now 43.75, Sally has an ad rank of 21, Tom is just behind Sally in position three with an ad rank of 20, Simon has an ad rank of 15, and Louise has an ad rank of 9. Meaning Ben has the highest ad rank, and as a result, has the top ad position. Simon has dropped down from position one down to position four.

So how does this look when it comes to calculating the CPC? So like I said, to calculate the CPC you need to get the ad rank of the below advertiser and divide it by your quality score. So let's go ahead and calculate Ben's actual CPC. So Ben's CPC is going to be 21, as this is the ad rank of the advertiser below him, which is Sally, 21 divided by his quality score, which is going to be 7. So 21 divided by 7 is going to be a CPC of \$3. Sally's CPC is going to be 20, which is

Tom's ad rank, the advertiser below her, divided by 3. So 20 divided by 3 is going to equate to a CPC of \$6. Tom's CPC is going to be 15 divided by 10, which is a CPC of \$1.50. And Simon's CPC is going to be Louise's ad rank, which is 9, divided by her quality score. So 9 divided by 5 equals \$1.88, so as a result, that is going to be Simon's CPC. So for Louise, as there is no advertiser below her, Google is going to determine her CPC.

What's really good to see is that in our example, the person in the top spot, which is Ben, is not paying the most per click. The person paying the most per click is Sally in position two. And the main reason why Sally is paying so much per click is because she has a quality score of just three, which is a lot worse than Ben's. So let's imagine Sally works really hard on her AdWords account and her landing page and manages to increase her quality score from three to six, and as a result, her ad rank now goes up to 42. This means that she still has the second-highest ad rank, so remains in her current position. However, her CPC now drops to almost half and goes down to \$3.33, which is a lot less cheap than her previous CPC of \$6. And she's managed to achieve this just by improving her quality score. Real powerful, right?

So in our auction, we have Tom in position three and then we have Simon below. So at present, Tom is paying the lowest cost per click, he is paying \$1.50, and he has a quality score of 10. So you may be thinking, "Right, Tom has the highest quality score possible, as the quality score is obviously out of 10, so there's no way Tom can pay any less than \$1.50 per click." Well, if you think this you would be wrong, as you have to remember your cost per click is determined by the ad rank of the below advertiser divided by your quality score, meaning if Simon's quality score was to drop down from five down to four, he would now have an ad rank of 12, which means he stays in the four positions, as it's the fourth-highest ad rank. However, as his ad rank is now dropped down to 12, however, that means Tom's actual CPC is going to be 12 divided by 10, which is actually \$1.20. So Tom has managed to lower his cost per click by literally doing nothing. This is simply because Simon's quality score has gone in the wrong direction.

Hopefully, this illustrates to you just how important quality score is, and just how diverse the Google AdWords auction is. Now, it's really important to know that we can't actually see the ad rank of the other advertisers in our auction, so there's no way to know what your maximum CPC should be set at and so on. However, it's just an example to give you an idea of just how diverse the Google Ads auction is. And what you have to remember as well, as in this example, Simon's quality score went down from five down to four, so as a result, the amount he's going to pay per click is going to go up as well, because Simon's actual CPC is now going to be nine divided by four, which is \$2.22. So as you can see, there is quite a lot to consider when it comes to determining how much you actually pay per click.

## **Section 6: When You Can Ignore Low-Quality Scores (and when you can't):**

When you can ignore the quality score. So by now, we all know how important quality score is. However, I wanted to let you know that there are a few instances where you should indeed actually ignore your quality score. So in this video, I'm going to go through three different examples of exactly when you should do just that.

The first and most common example I see when you should ignore your quality score is when it relates to plural and singular keywords. These are instances that can't be understood by any logical boundaries. Sometimes the plural version of a keyword will have half the quality score of a singular version of the same keyword in the same ad group. There is no logical reason why this should be the case. Sometimes adding a prefix or a suffix to the word can drastically change your quality score. For example, you could have bed cover versus bed covers. Now, these are very similar keywords. The only difference one is plural and one is a singular keyword. The plural version or the singular keyword version could have a different quality score.

Now, these instances and others that have no rhyme or reason can be very frustrating as you will continuously try to optimize for the quality score, but you will fail every single time. The best thing to do in this case scenario is to try a few different tests. And if you don't see any positive results, just walk away. Whether that means leaving the keyword in your ad group or removing it. It can be very frustrating, but unfortunately, there isn't much we can do about it.

The second example where you can ignore quality scores is to do with new accounts and new keywords. Every new keyword is assigned a quality score, which is not reflective of its true quality score. As a rule of thumb, I don't worry about any quality scores until the keyword has at least 1000 impressions and 100 clicks. This way, I can be certain that the data I'm reviewing is indeed reliable. It's important we don't get trigger happy too soon after a few clicks and then go ahead and make drastic changes. The only time you want to act straight away is if the issue is to do with your landing page, as this issue simply won't go away.

The last example is bad blood. I've seen tons of examples in industries with bad reputations that literally have a quality score glass ceiling. Meaning no matter what you do, it's really difficult to improve your quality score. Some of these industries are pharmaceutical, financial, legal industry, and literally any other industry that has a very high cost per click. A lot of these industries have gotten a bad reputation with Google after loads of advertisers send traffic to

shady or untrustworthy websites. As a result, Google adopted a guilty until proven innocent mentality with these specific industries.

We've run into this issue a few times where no matter what we did, we couldn't get the quality score above five. We persisted and eventually in the long run, we managed to improve it over time. If you suspect something like this is happening in your account, you can always reach out to a Google rep and ask them to look into this further. If you're seeing a lot of low-quality scores, but your ads are averaging in the top three positions, then it's very likely that this is happening to you. Don't worry about it too much as it's most likely happening to all of your competitors as well, which is why these industries can be very competitive to enter due to the high CPCs. If you are operating in one of these industries, then try not to worry about it and keep plucking along and you'll eventually get there. Just be mentally prepared to be in it for the long run.