



# Calculating AdWords Campaigns

EDUCATIONAL MATERIALS

Why?

Google rewards the most relevant ad associated with a keyword by placing it highest in ad results (otherwise know as "Ad Rank") and assigning it the lowest cost-per-click. This way Google ensures:

1. That users find ads that are relevant to what they're looking for
2. That advertisers connect with potential customers at the lowest possible prices.

$$\text{YOUR PRICE} = \frac{\text{THE AD RANK OF THE PERSON BELOW YOU}}{\text{YOUR QUALITY SCORE}} + \$0.01$$

	Max Bid	Quality Score	Ad Rank	Actual CPC
Advertiser #1	\$2.00	10	20	$16/10 + 0.01 =$ <b>\$1.61</b>
Advertiser #2	\$4.00	4	16	$12/4 + 0.01 =$ <b>\$3.01</b>
Advertiser #3	\$6.00	2	12	$8/2 + 0.01 =$ <b>\$4.01</b>
Advertiser #4	\$8.00	1	8	<b>Highest CPC</b>

Notice how Advertiser #1 can pay less for a higher position due to their high quality score.

