

MAX CPC, AD RANK AND THE BIDDING PROCESS IN GOOGLE ADWORDS

In our example above, when typing the keyword *caribbean cruising vacations*, we could see the following ad positions:

- 1 - www.vikingcruises.com
- 2 - www.celebritycruises.com
- 3 - www.cruises.com/Caribbean
- 4 - www.atlantisbahamas.com

But why is one website ranking over the other in the search results? We need to introduce the concept of *Ad Rank*.

The Ad Rank represents the method used by Google to determine an ad position both in the search and the display network. It's a very simple formula:

$$\text{Ad Rank} = \text{Max CPC} * \text{Quality Score}$$

The *Max CPC* (Maximum Cost Per Click) represents the maximum value that an advertiser is willing to spend for a click. This value differs for each keyword. Why? As mentioned above, it's all about demand.

The more advertisers want to have their ads displayed for a particular keyword, the more they will be willing to pay for that ad-space. On the contrary, if some advertiser wants to buy a keyword/query that nobody else is buying (i.e. "I love having green tea in the morning with toasts"), the amount that he/she will be required to pay for that click