

# How does an Adwords auction work?

## Everything Starts with a Google Search

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As soon as someone googles a term, Google checks its pool of AdWords campaigns and decides which ads are relevant for the search. In doing so, Google selects all ads to match keywords that fit the search query.

Note: Keywords do not necessarily just contain the exact search query, but all terms that match the search. For example, the keyword “pet food” fits the search query “dog food”.

## How Does the Auction Come About?

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Advertisers select keywords to show their ads. At the same time, they determine how much they are willing to pay for ads to appear in response to each respective each keyword. Then, if more than one advertiser has chosen relevant keywords for their ad, there is an auction.

## How Your Ad Is Ranked by Google

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To determine the outcome of the auction, two factors are considered by Google: Your maximum CPC (price-per-click, the maximum amount you are willing to pay for a click on your ad) and the quality of your ad. Both values are multiplied. The ad with the best results gets the best spot.

Note: The quality score of your ad is based on your content (copy, URL, keywords) and its relevance (CTR, how often your ad is clicked, and whether the users stay on your landing page).

$$\text{RANK OF THE AD} = \text{MAX CPC} \times \text{QUALITY OF YOUR AD}$$

## This Is How Google Determines How Much You Pay for Your Ad

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For your ad, you always pay the lowest price required to keep your position. Google lowers the maximum price of customer C until their ad is ranked just slightly above the ad of customer B. The same also applies to Customer B.

$$\text{YOUR PRICE} = \frac{\text{THE RANK OF THE AD BELOW YOU}}{\text{QUALITY OF YOUR AD}} + 0,01\text{€}$$