

ROI calculations for campaign debriefing

ROAS

Formula: $\text{ROAS} = \text{Revenue} / \text{Ad spend}$

Record your ROAS calculations based on revenue in the table below. You can express ROAS as a number, percentage, or ratio. All are correct.

Campaign ROAS	ROAS for search ads	ROAS for display ads	ROAS for social ads	ROAS for shopping ads
• 201%	• 171%	• 176%	• 467%	• 355%

AOV

Formula: $\text{AOV} = \text{Revenue} / \text{Number of orders}$

Record your AOV calculations in the table below.

Campaign AOV	AOV for search ads	AOV for display ads	AOV for social ads	AOV for shopping ads
\$80.55	\$128.69	\$27.61	\$87.41	\$61.00

LTV

Formula: $\text{LTV} = \text{Average order value (AOV)} \times \text{Purchase frequency}$

Record your LTV calculations in the table below.

Campaign LTV	LTV for search ads	LTV for display ads	LTV for social ads	LTV for shopping ads
\$128.88	\$193.04	\$55.22	\$131.12	\$91.50

LTV to CAC ratios

Formula: $\text{LTV to CAC ratio} = \text{LTV} / \text{CAC}$

Record your LTV to CAC ratios in the table below.

Campaign LTV:CAC	Search ads LTV:CAC	Display ads LTV:CAC	Social ads LTV:CAC	Shopping ads LTV:CAC
1.98	1.72	1.78	4.68	3.66

Percentages of new customers making purchases

Formula: Percentage of new customers making purchases =
 (Number of unique new account purchasers / Number of new accounts) x 100

Campaign percentage	Search ads percentage	Display ads percentage	Social ads percentage	Shopping ads percentage
18.37%	19.75%	17.53%	13.51%	23.16%

Future budget decisions

For a future campaign, would you recommend moving some of the budget from a channel with a lower ROAS to a channel with a higher ROAS? If so, which channel(s), and how much of the budget? Enter your recommendation below.

Based on the ROAS calculations, move some of the budget from search ads to social or shopping ads which had a higher ROAS of 467% and 355%, respectively. By comparison, search ads had a ROAS of 171%.

Note: The following budget recommendation is an example. Your budget amounts may be different but still correct based on the data.

Move \$37,500 from search ads to social ads, resulting in \$150,000 for search ads and \$52,500 for social ads. Don't allocate any additional budget to shopping ads. Although shopping ads had the same spend as social ads (around \$15,000), the revenue generated from shopping ads was 20% less than the revenue generated from social ads. Social ads may achieve a better ROI because of the higher ROAS of 467%.

In this scenario, the goal is to make sure the LTV to CAC ratios remain at 2 or higher so channels remain profitable even when absorbing occasional declines in LTV or spikes in acquisition costs. With this information, would you recommend a budget change for channels with results below 2 or above 3? Enter your recommendation below.

Because the result for search ads is 1.72 and the result for display ads is 1.78, reduce the budget for these channels to improve the CAC. Move some of the budget out of display or search ads to increase the budget for social or shopping ads.

For instance, the higher LTV of \$131.12 for social ads combined with its low CAC of \$28 resulted in a high LTV to CAC ratio of 4.68. Increasing the budget for social ads could cause the CAC to go up and the LTV to CAC ratio to go down. However, because the ratio started out higher at 4.68, there is room to increase the CAC and the volume of new customers without becoming unprofitable. This shifts the channel's focus from efficiency to growth. As long as the drop in the LTV to CAC ratio for social ads doesn't go below the campaign average of 1.98, the potential for customer growth is worth pursuing.

For a future campaign, if you have funds available, which channels would you customize landing pages for in an attempt to increase customer conversion rates?

Hint: Refer to the percentages of new customers making purchases to help you decide where you might need customized landing pages. Enter your recommendation and the thought process you went through to reach your decision below.

Customize landing pages for search and social ads for these reasons:

- These channels had a lower purchase frequency of 1.5 compared to 2 for display ads.
- These channels had a lower percentage of new customers making purchases (19.75% and 13.51%) compared to 23.16% of new customers from shopping ads.

If there is budget to customize a landing page for one channel only, prioritize the creation of a custom landing page for social ads.

The decision process was as follows:

1. Display ads already had the highest purchase frequency of 2, so focus on customized landing pages for search, social, or shopping ads. These channels had a purchase frequency of 1.5.
2. Because 23.16% of new customers from shopping ads made purchases, narrow it down further by focusing on customized landing pages for search or social ads, which both had lower percentages.
3. If there is budget for one channel only, prioritize a custom landing page for social ads because the percentage of new customers who made purchases was lower than that for search ads (13.51% versus 19.75%).