

INTERNET BUSINESS CONCEPTS

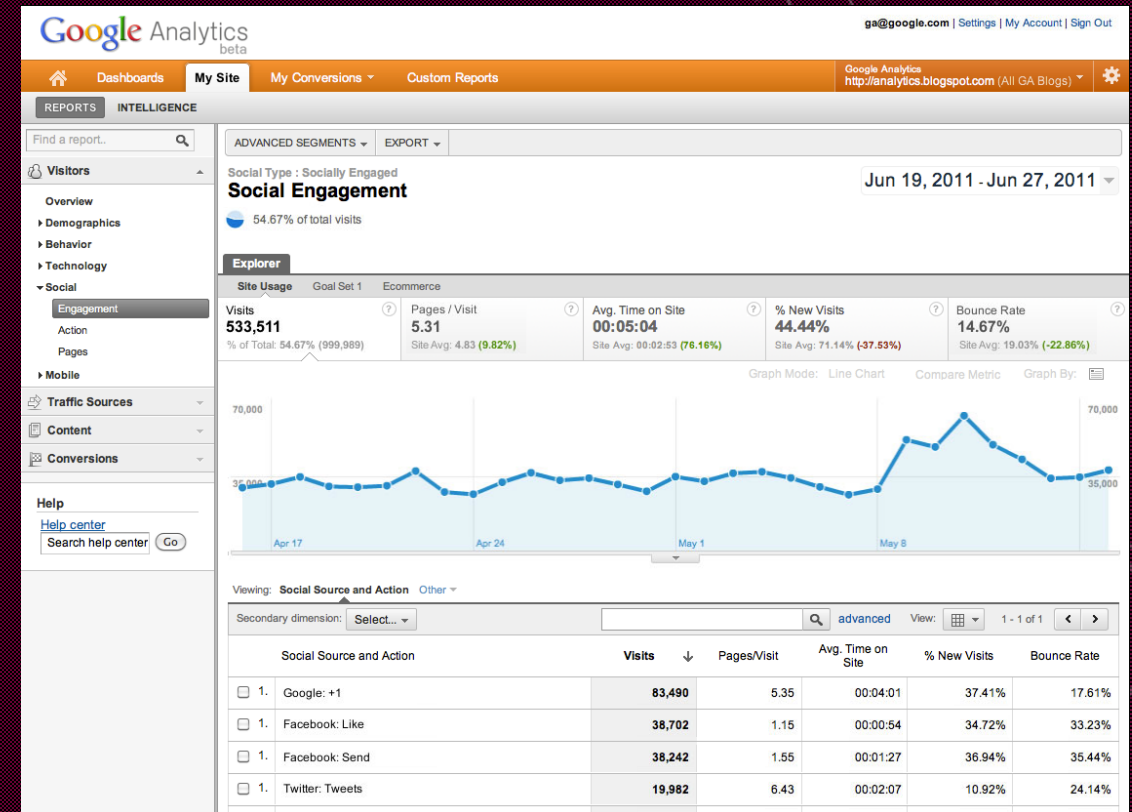
WEEK #10: *THE COST OF AN ONLINE VISITOR*

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1. HOW DO YOU DETERMINE THE WORTH OF A SITE VISITOR?

Websites want traffic – but not a lot of website owners know how to determine the value of 1 site visitor.

Different goals, different ways to determine the **lifetime value of your visitor.**



EXAMPLE: AWESOME ACCESSORIES.COM

Let's say you own an eCommerce website that sells custom made products. How can we attract customers?

- **SEO / Organic results** – takes a while to rank & get better SEO results.
- **Free social media** – Facebook page, Twitter account, Pinterest, Instagram...but it takes a long time to build followers, right?



EXAMPLE: AWESOME ACCESSORIES.COM

Paid media buying = drive TARGETED traffic to your website QUICKLY

- **Facebook ads** – Targeted traffic to your landing page/site.
- **Google AdSense** – Targeted traffic to your landing page/site.
- **Instagram** – Targeted traffic...you get the idea.



THE MORE SPECIFIC YOU CAN TAILOR YOUR AD...

The more **TARGETED** your audience coming to your site will be.

- Clothing Accessories: Eh, that's pretty general
- Women's Clothing Accessories: A little better
- Bracelets, Hats, Brooches, Sunglasses: OK, better, but...
- Prom Night Accessories, Evening Wear Accessories, Office Dress Accessories: Even better because it's more specific for the searcher's needs

OK, NOW YOU'RE PAYING FOR SOME TARGETED TRAFFIC...

Let's say that your monthly online ad budget was \$1,000.

- You set it up that you can keep track of how many people **click on your ad**, and visit your website.

Let's say 500 visitors that clicked on your ad.

$$\$1,000 / 500 = \$2 \text{ per visitor , or...}$$

**Budget / # of visitors = COST PER ACQUISITION
(or cost-per-click)**

BUT WHAT ABOUT HOW MANY SALES?

Your boss wants to know the bottom line, right? How many new customers did your \$1,000 get?

- Let's say out of those 500 visitors, 3% converted into customers.

$$500 * 3\% = 15 \text{ new sales}$$

Budget / # of sales = COST PER CUSTOMER ACQUISITION

In our example, that works out to \$66 per new customer

SO NOW YOU CAN FIGURE OUT IF IT'S WORTH ADVERTISING

In our example, we now know that for every \$66 we spend on online ads, we get 1 new customer.

Now you need to know:

- What's the average price of a transaction on your site?
- Do people buy 1 item or multiple ones?

Are you making money, or losing it?

Once you find the **BREAK EVEN POINT**, you can experiment on different ad campaigns, platforms, landing page content, etc.

NOW YOU SEE WHY TESTING IS IMPORTANT

Improving these on-page items can decrease your ad expenses & increase sales/conversions:

- Better copy
- Stronger call-to-action
- Knowledge of digital neuromarketing techniques (trigger points, strike-throughs, etc.)
- Clear imagery
- Trust items
- Testimonials
- Emotional marketing



2. THE LIFETIME VALUE OF A CUSTOMER (LTV)

Some online businesses offer subscriptions, or SaaS (software as a service) – a monthly, ongoing charge.

For that model, you should calculate the lifetime value of a customer for your business.



EXAMPLE: SUSIE SUBSCRIPTIONS.COM

This website sells a MONTHLY, ONGOING SUBSCRIPTION for a service.

If Susie is using paid ads & signing up new customers every month from her ad campaigns, what is the total lifetime value of her customers worth?



LTV CALCULATION IS DETERMINED BY

$$\begin{aligned} &\text{Average sales price per period (ASP)} \\ &\quad * \\ &\text{Average lifetime of the customer (ALC)} \\ &\quad = \\ &\text{LIFETIME VALUE OF THE CUSTOMER} \end{aligned}$$

EXAMPLE:

- Susie charges \$30 per month for a subscription.
- Based on her data, the average length of time for a subscription is 3 years (36 months)

$$\$30 \text{ (the ASP)} * 36 \text{ months (the ALC)} = \$1,080 \text{ (the LTV)}$$

So now Susie can go back and use her cost per customer acquisition # to see if she's making good business sense **to keep advertising long-term.**

3. THE MONTHLY VALUE OF NEW CUSTOMERS

Let's say Susie is signing up 25 new customers from her monthly paid advertising cost.

Number of new customers * LTV = Total value of new customers

25 new customers/month * \$1,080 (LTV) = \$27,000 of lifetime revenue being made each month

If Susie wants a yearly result, multiply the result by 12...\$324,000

4. THE VALUE OF YOUR WEBSITE VISITORS

With this info, Susie can now determine the value of each visitor that comes to her website.

$$\frac{\text{Amount of new lifetime revenue per month}}{\text{Number of monthly web visitors}} = \text{Value of each visitor}$$

$$\$27,000 \text{ monthly LTV} / 1500 \text{ visitors per month} = \$18 \text{ value per visitor}$$

Again, if Susie wants annual figures, multiply LTV by 12 and use annual unique visitors...some months will have more traffic. Most businesses use annual determinations.

5. YOUR NEXT STEPS

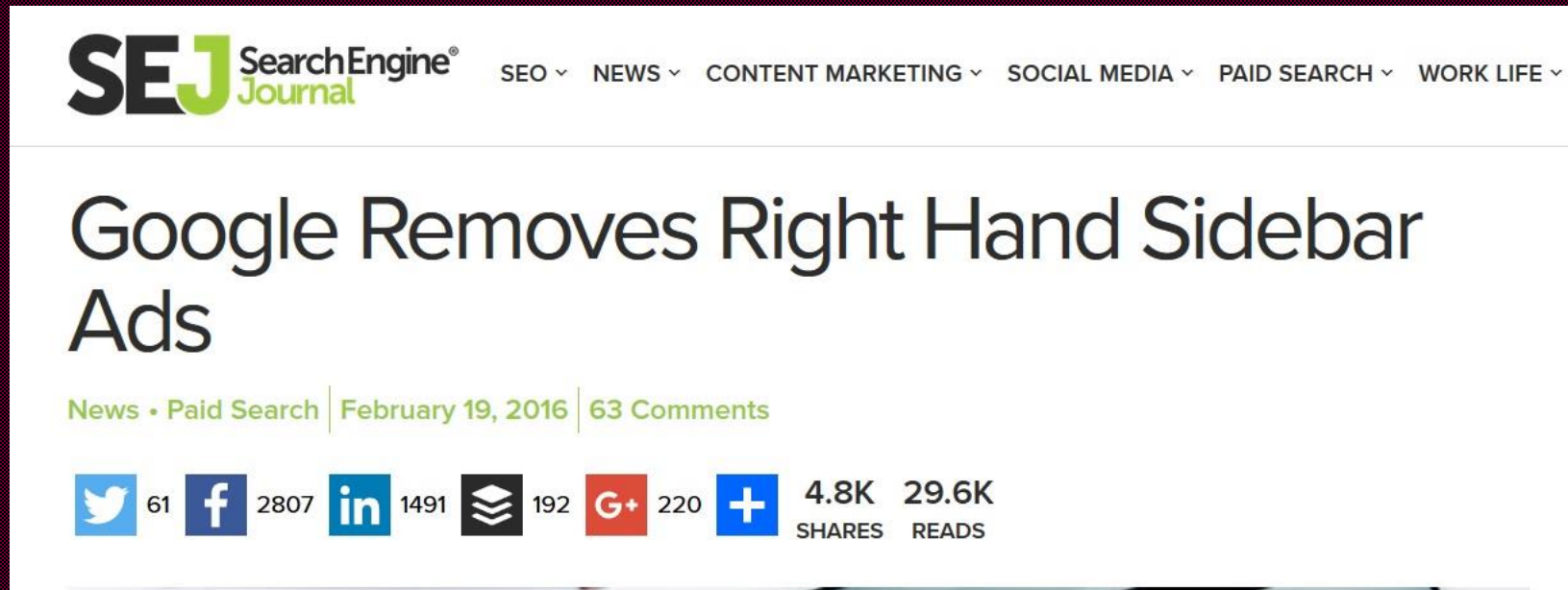
What Susie (and you) want to do next is **RAISE** that number for the value of each website visitor.

If Susie can get it to \$18.50 and then \$19.25 ... and then \$21.50.... her profit will dramatically increase too.

And again, to do this you need to go back and test new ideas, record the data, keep what works, and repeat the process over and over and over again...



AND THEN IN FEBRUARY 2016...THIS HAPPENED









The screenshot shows the top portion of a web article. At the top is the Search Engine Journal logo and a navigation menu with links for SEO, NEWS, CONTENT MARKETING, SOCIAL MEDIA, PAID SEARCH, and WORK LIFE. The article title is 'Google Removes Right Hand Sidebar Ads'. Below the title is a metadata line indicating it's a 'News' article about 'Paid Search', published on 'February 19, 2016', with '63 Comments'. At the bottom of the screenshot is a social sharing bar with icons for Twitter, Facebook, LinkedIn, a generic share icon, and Google+, each followed by its respective share count. To the right of these are the total share and read counts.

SEJ SearchEngine[®] Journal

SEO ▾ NEWS ▾ CONTENT MARKETING ▾ SOCIAL MEDIA ▾ PAID SEARCH ▾ WORK LIFE ▾

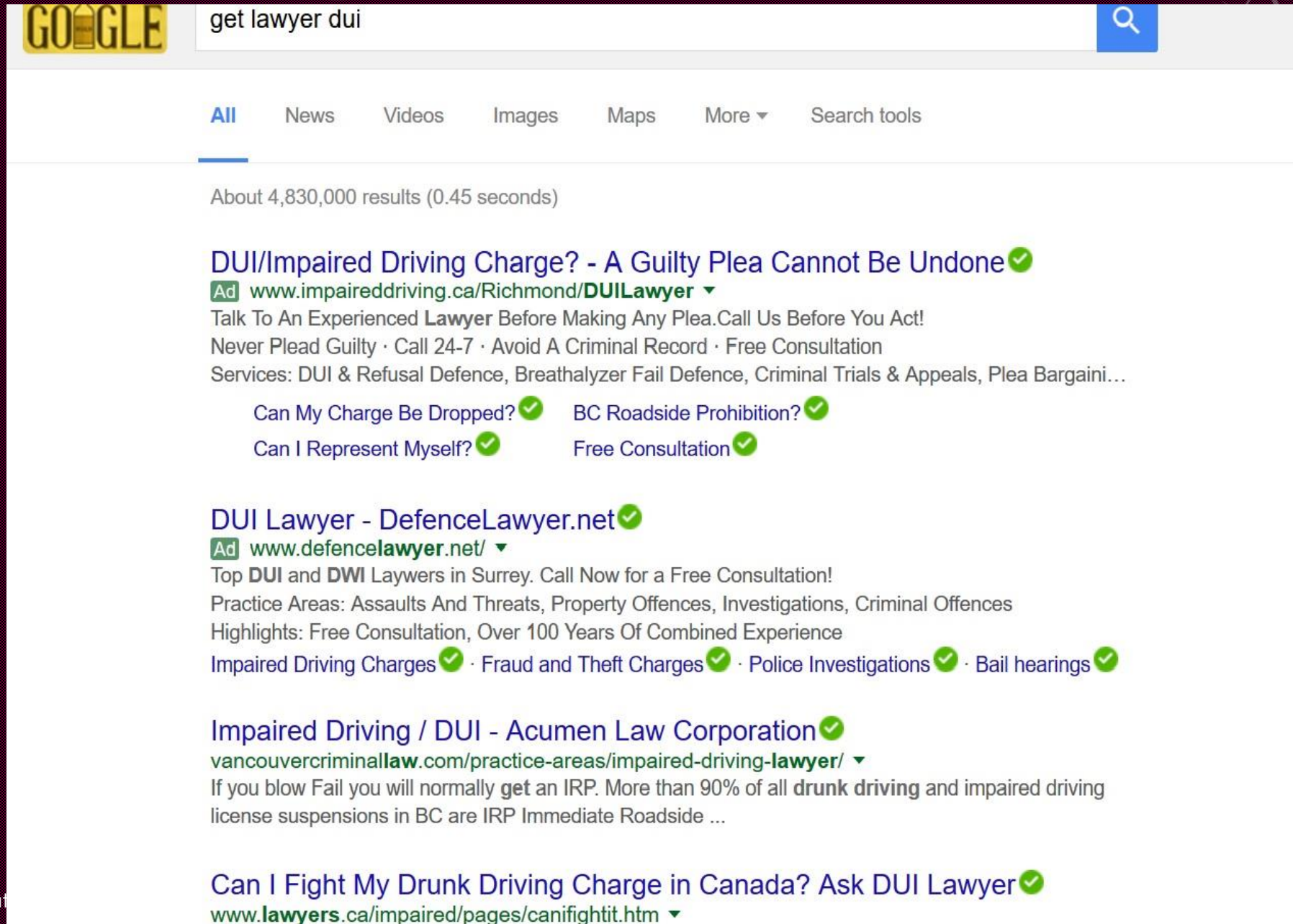
Google Removes Right Hand Sidebar Ads

News • Paid Search | February 19, 2016 | 63 Comments

 61  2807  1491  192  220  4.8K 29.6K
SHARES READS

Google Ads

Made some
changes in
early 2016



The screenshot shows a Google search interface with the query 'get lawyer dui'. The search results are filtered to 'All' categories. The first result is an advertisement for 'www.impaireddriving.ca/Richmond/DUILawyer' with a green checkmark icon. The second result is an advertisement for 'www.defencelawyer.net' with a green checkmark icon. The third result is for 'Impaired Driving / DUI - Acumen Law Corporation' with a green checkmark icon. The fourth result is for 'Can I Fight My Drunk Driving Charge in Canada? Ask DUI Lawyer' with a green checkmark icon.

GOOGLE get lawyer dui

All News Videos Images Maps More Search tools

About 4,830,000 results (0.45 seconds)

DUI/Impaired Driving Charge? - A Guilty Plea Cannot Be Undone ✓
Ad www.impaireddriving.ca/Richmond/DUILawyer ▾
Talk To An Experienced **Lawyer** Before Making Any Plea.Call Us Before You Act!
Never Plead Guilty · Call 24-7 · Avoid A Criminal Record · Free Consultation
Services: DUI & Refusal Defence, Breathalyzer Fail Defence, Criminal Trials & Appeals, Plea Bargaini...
Can My Charge Be Dropped? ✓ BC Roadside Prohibition? ✓
Can I Represent Myself? ✓ Free Consultation ✓

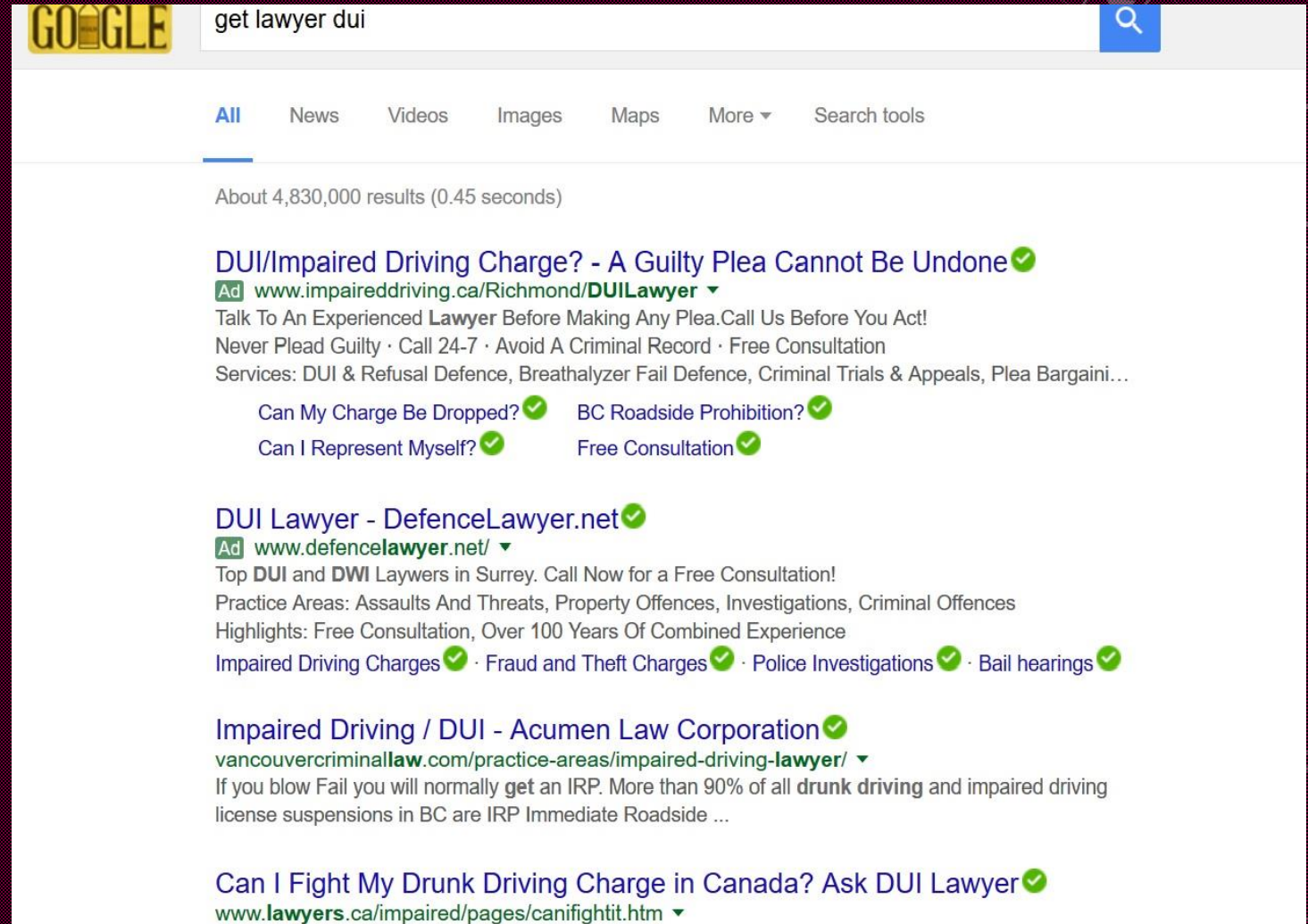
DUI Lawyer - DefenceLawyer.net ✓
Ad www.defencelawyer.net/ ▾
Top **DUI** and **DWI** Lawyers in Surrey. Call Now for a Free Consultation!
Practice Areas: Assaults And Threats, Property Offences, Investigations, Criminal Offences
Highlights: Free Consultation, Over 100 Years Of Combined Experience
Impaired Driving Charges ✓ · Fraud and Theft Charges ✓ · Police Investigations ✓ · Bail hearings ✓

Impaired Driving / DUI - Acumen Law Corporation ✓
vancouvercriminallaw.com/practice-areas/impaired-driving-lawyer/ ▾
If you blow Fail you will normally **get** an IRP. More than 90% of all **drunk driving** and impaired driving
license suspensions in BC are IRP Immediate Roadside ...

Can I Fight My Drunk Driving Charge in Canada? Ask DUI Lawyer ✓
www.lawyers.ca/impaired/pages/canifightit.htm ▾

The Changes Made:

- Up to 4 ads now in the top portion of the SERP results
- (This pushes down the #1 organic result to below the fold)
- Up to 3 paid ads can now appear at the bottom of the SERP page
- Google has changed the colors of the ad button, testing out different colors like...



Green Ad buttons

DUI/Impaired Driving Charge? - A Guilty Plea Cannot Be Undone ✓

Ad www.impaireddriving.ca/Richmond/DUILawyer ▼

Talk To An Experienced **Lawyer** Before Making Any Plea. Call Us Before You Act!

Never Plead Guilty · Call 24-7 · Avoid A Criminal Record · Free Consultation

Services: DUI & Refusal Defence, Breathalyzer Fail Defence, Criminal Trials & Appeals, Plea Bargaini...

Can My Charge Be Dropped? ✓

BC Roadside Prohibition? ✓

Can I Represent Myself? ✓

Free Consultation ✓

Yellow ad buttons

\$499 Long Distance Movers - 123Movers.com

Ad www.123movers.com/ ▼

Get Up to 6 Free Quotes in Minutes. Nationwide Moving as Low as \$499!

Purple ad buttons

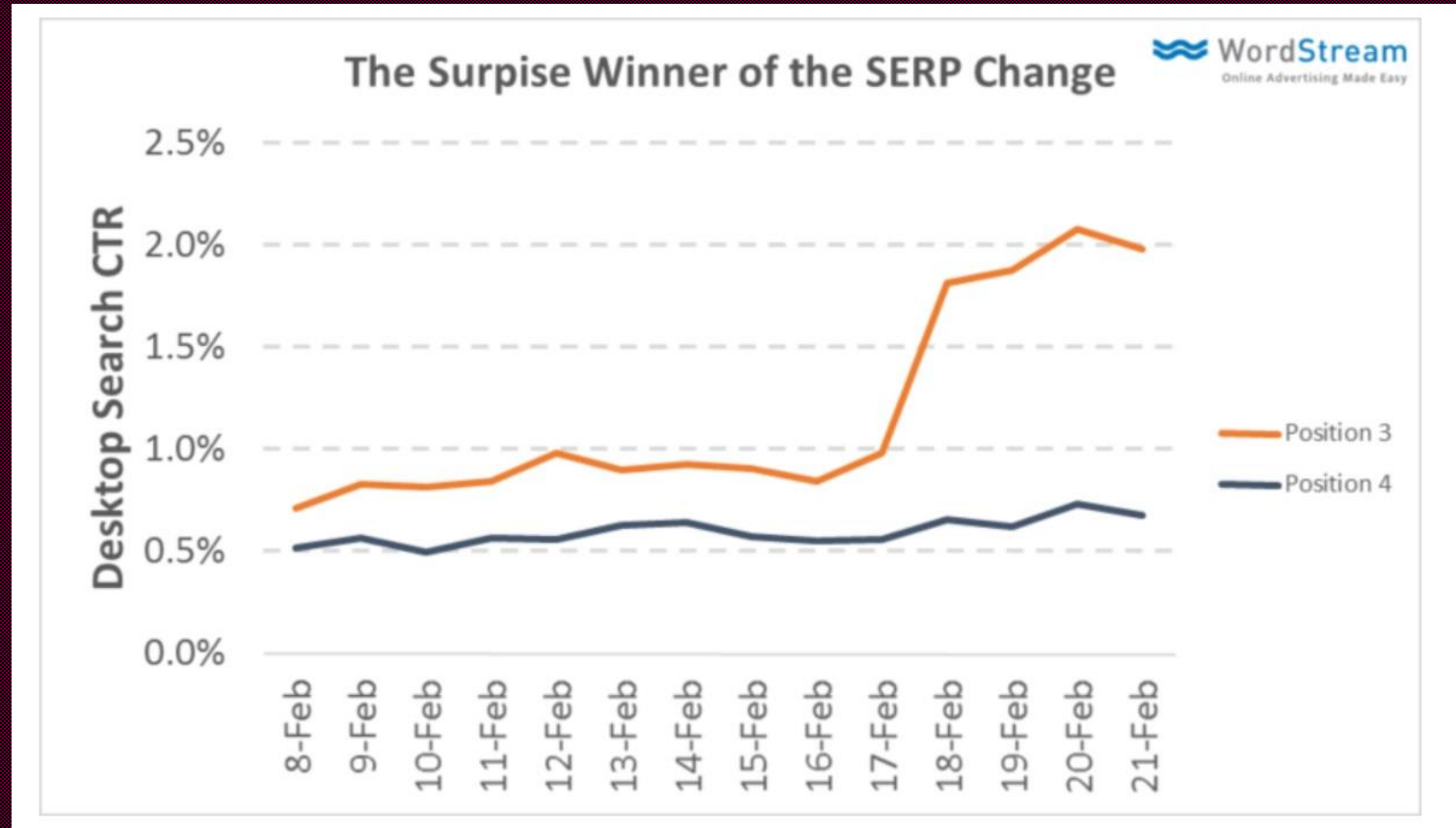
☰ plumber

Roto-Rooter Plumbing & Drain Services

Ad 4.3 ★★★★★ (11)

Plumber

WHAT'S BEEN THE IMMEDIATE IMPACT OF THESE CHANGES TO GOOGLE ADS?



[http://searchengineland.com/googles-new-serp-layout-4-biggest-winners-losers-based-](http://searchengineland.com/googles-new-serp-layout-4-biggest-winners-losers-based-data-243292)

TOOLS TO TRY WRITING ADS

<http://www.blastam.com/expanded-text-ad-preview-tool/>

<http://www.karooya.com/expanded-text-ad-preview-tool>