

ROI calculations for campaign debriefing

ROAS

Formula: ROAS = Revenue/Ad spend

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

Campaign ROAS	ROAS for search ads	ROAS for display ads	ROAS for social ads	ROAS for shopping ads
2.01	1.71	1.76	4.67	3.55

AOV

Formula: AOV = Revenue/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: LTV = Average order value (AOV) x 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: LTV to CAC ratio = LTV/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

Percentage of new customers making purchases

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

Record your calculated percentages in the table below.

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

Also, recall the guidance for LTV to CAC ratios:

- A result of 2 or higher is considered good
- A result of 3 is ideal for profitability
- A result higher than 3 indicates you have a steady revenue stream

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.

We can move some of the budgets from search ads to social or shopping ads because of the higher ROAS of 4.67 and 3.55 found in each, respectively. Search ads only had a ROAS of 1.71.

Because social ads had earned 20% more revenue than shopping ads despite having the same \$15,000 spend, putting more money into social ads may achieve a better ROI because of the higher ROAS of 4.67. Let's move \$37,000 from search ads to social, to make a total of \$150,000 for search ads and \$52,500 for social ads, while keeping the same \$15,000 budget for shopping ads.

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.

These results show that search ads is 1.72 and display ads is 1.78, reducing the budget for these channels will improve the CAC. Moving some money from display or search ads to increase the budget for social and shopping ads.

Because, social ads have a higher LTV of \$131.12 combined with a low CAC of \$28 the resulting LTV to CAC ratio is a high 4.68. Increasing social ads budget could cause the CAC to go up and the LTV to CAC ratio to go down.

Since the ratio is so high 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. So long as we keep the LTV to CAC ratio above 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.

We should customize the search and social ads landing pages because;

- Search and social ads have a lower purchase frequency of 1.5 compared to 2.0 for display ads.
- Search and social ads have a lower % of new customers making purchases (19.75% & 13.51%) compared to shopping ads (23.16%).

However, if we can only budget to customize a landing page for one channel, having a social ad landing page is more beneficial.

This is because:

1. Display ads already perform well with the highest purchase frequency of 2, while the other channels (shopping, social ads, and search) only have a purchase frequency of 1.5.
2. Shopping ads had the highest % of new customers at 23.16% compared to search and social. So we can focus on customizing a landing page for search and social ads since they need a better boost.
3. Because social ads had a lower percentage at 13.51% of new customers who made a purchase compared to search ads at 19.75%. Social ads would need the landing page more and should be prioritized if the budget only allows for one channel.

Multi-channel campaign at 180 days	Overall	Search ads	Display ads	Social ads	Shopping ads
Ad spend	\$250,000	\$187,500	\$32,000	\$15,000	\$15,500
Number of new accounts	20,790	8,420	5,816	3,959	2,595
Number of orders	6,237	2,494	2,039	802	902
Average purchase frequency	1.6	1.5	2	1.5	1.5
Number of unique new account purchasers	3,818	1,663	1,020	535	601
Revenue	\$502,358	\$320,943	\$56,288	\$70,101	\$55,026
CAC	\$65	\$112	\$31	\$28	\$25
ROAS	2.009432	1.711696	1.759	4.6734	3.550064516
AOV	\$81	\$129	\$28	\$87	\$61
LTV	\$129	\$193	\$55	\$131	\$92
LTV to CAC ratio	1.982641556	1.723473837	1.781012198	4.682557	3.660266075
% of New Custor	18.36459836	19.75059382	17.53782669	13.51351351	23.15992293