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To pass this practice quiz, you must receive 100%, or 1 out of 1 point, by completing the activity below. You can learn more about the graded and practice items in the [course overview](#).



Activity Overview

In this activity, you will assess the short-term ROI of a campaign. To do this, you will perform return on ad spend (ROAS) and lifetime value (LTV) calculations. You will also evaluate the overall LTV to customer acquisition cost (CAC) ratio for the campaign and for each channel.

These calculations will provide insights into the campaign's overall value and the efficiency of campaign spending per channel.

Be sure to complete this activity before moving on. The next course item will provide you with a completed exemplar to compare to your own work. You will only be able to review the calculations in the exemplar after you have completed this activity.

Scenario

Review the scenario below. Then, complete the step-by-step instructions.

You are a marketing associate who just completed work on a multi-channel ad campaign for an e-commerce business. Your team plans to present the campaign's ROI during a project debriefing. You have been asked to calculate estimates of ROI using ROAS and LTV. Your team is known for its accurate use of data. You understand that this step is a critical one, especially since the results will also be used to inform future campaign spending decisions.

Your team will use these insights along with other performance data to make budget decisions for future campaigns.

To help you complete the activity, review the following calculations:

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

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

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

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

Step-By-Step Instructions

Step 1: Access the template



To use the template for this course item, click the link below and select "Use Template."

Link to template: [ROI calculations for campaign debriefing](#)

OR

If you don't have a Google account, you can download the template directly from the attachment below.



[Activity Template - ROI calculations for campaign debriefing](#)
[DOCX File](#)

Step 2: Access supporting materials


The following supporting materials will help you complete this activity. Keep them open as you proceed to the next steps.

To use the supporting materials for this course item, click the link below and select "Use Template."

Link to supporting materials: [Multi-channel campaign data](#)

OR

If you don't have a Google account, you can download the supporting materials directly from the attachment below.

 [Multi-channel campaign data](#)
[XLSX File](#)

Step 3: Calculate ROAS

Calculate the ROAS for the overall campaign and for each channel.

Use this formula: $\text{ROAS} = \text{Revenue generated} / \text{Ad spend}$.

For example, the ROAS for search ads is $\$320,943 / \$187,500$, or 1.7. This is also expressed as 170%.

Record all results in your ROI calculations template.

Step 4: Calculate AOV and LTV

Calculate the LTV for the overall campaign and for each channel. Because each LTV calculation requires an average order value, or AOV, you will need to calculate AOV first. Use this formula: $\text{AOV} = \text{Revenue} / \text{Number of orders}$

Calculate the AOV for the campaign and for each channel and record the results in your activity template.

Use this formula: $\text{LTV} = \text{Average order value} \times \text{Purchase frequency}$

Insert the AOV values in the LTV formula to complete the calculation of LTV for the overall campaign and for each channel. For example, the AOV for search ads is $\$320,943 / 2,494$, which is \$128.69. Inserting \$128.69 in the formula for LTV results in $\$128.69 / 1$, or \$128.69, as the LTV for search.

Record all results in your ROI calculations template.

Step 5: Calculate LTV to CAC ratios

Calculate the LTV to CAC ratios for the overall campaign and for each channel. The CAC for each channel is different from the CAC for the overall campaign because the unique ad spend for each channel is factored in.

Use this formula: $\text{LTV to CAC ratio} = \text{LTV} / \text{CAC}$

Determine the LTV to CAC ratio for the campaign.

Determine the LTV to CAC ratio for each channel.

Record the results in your ROI calculations template.

Step 6: Calculate percentages of new users making purchases

Calculate the percentage of new users making purchases for the overall campaign and for each channel.

Use this formula: $\text{Percentage of new customers making purchases} = (\text{Number of unique new account purchasers} / \text{Number of new accounts}) \times 100$

Calculate the percentage of new customers making purchases for the overall campaign.

Calculate the percentage of new customers from each channel making purchases.

Record the results in your ROI calculations template.

Step 7: Review ROI calculations for future budget recommendations

The final step is to review the ROI calculations and think about changes to future campaign budget spend. Use the following questions to guide your thinking.

ROAS

Which channels had the highest ROAS?

Which channels had the lowest ROAS?

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?

AOV

Which channels had the highest AOV?

Which channels had the lowest AOV?

LTV

Which channels had the highest LTV?

Which channels had the lowest LTV?

LTV to CAC ratios

Which channels had the highest ratios?

Which channels had the lowest ratios?

Did any channels have a result below 2?

Did any channels have a result above 3?

Would you recommend a budget change for channels with results below 2 or above 3?

Percentages of new customers making purchases

Which channels had the highest percentages?

Which channels had the lowest percentages?

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?

What was your thought process to arrive at that decision?

After reviewing your calculations, answer the questions about recommendations for future advertising budget spend in the ROI calculations template.

Pro Tip: Save your work

Finally, be sure to save the work you did to complete this activity. This can help you work through your thought processes and demonstrate your experience to potential employers.

What to Include in Your Response

Be sure to address the following elements in your completed activity:

ROAS, AOV, LTV, LTV to CAC ratios, and percentage of new users making purchases for the overall campaign and for each channel

Recommendations for future budget decisions