

Squatty Potty Case

1. Ratio of paid views to purchase (conversion).

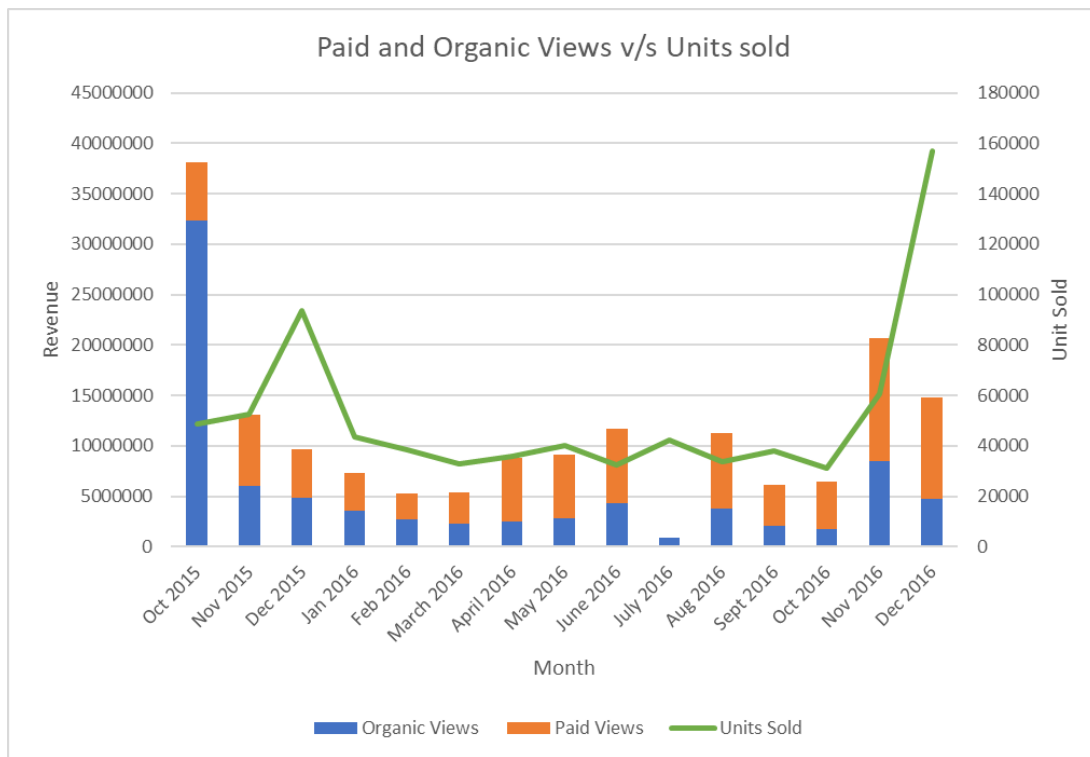
According to the campaign data from Oct 2015 to Dec 2016, Squatty Potty received a total of 168,637,557 views out of which 85,848,279 were paid views. During this period, they sold a total of 780,702 units. For every **110 paid views**, one unit was purchased. However, this analysis has some limitations.

Paid Views	Purchases	Paid View / Purchase Ratio
85848279	780702	110

If we see the ratio of total views to purchase, for every 216 total views, one unit was purchased. This includes both organic and paid views.

Total Views	Purchases	View / Purchase Ratio
168637557	780702	216

It will be inaccurate to attribute the total purchases only to paid views because a good proportion of the total views are organic, which means that even in the absence of paid views, customers would have bought the products.



- Despite having no paid views in July, the company still managed to sell 42,427 units of their product, with 833,842 organic views making a revenue of \$891,260. In the month of June and August, they made an average of \$761,076 in revenue per month, with both paid and organic views.
- On an average, throughout the year (except July), the company made a revenue of \$1,364,955 per month with both paid and organic views. However, in the absence of paid views in July, they still made \$891,260, which is 34% less than the monthly average.
- These observations are just indicative of a possibility that the current results are not accurate representation of Ad's effectiveness. We also need to consider the money spent on promotions and the returns (as ROAS) to see if the campaign was successful in driving sales.
- The case study also mentions that videos were coded with tracking pixels to determine when a video viewer made purchase. We need this data to accurately attribute purchases to paid views. Only then we will be able to determine the success.

2. Ratio of promotional spending to sales revenue.

- Summing up the total promotional spend which comes down to \$2,964,921.17.
- Summing up SquattyPotty.com Revenue which is \$4,689,298.00, Amazon SellerCentral Revenue which is \$6,674,276.00, Amazon VendorCentral Revenue which is \$8,637,085.94.
- Summing up all 3 revenues it comes down to \$20,000,659.94.
- Final ratio of promotional spending to sales revenue is 1:7.

<u>Promotional Spend</u>	<u>SquattyPotty.com Revenue</u>	<u>Amazon SellerCentral Revenue</u>	<u>Amazon VendorCentral Revenue</u>	<u>Total Revenue</u>
\$2,964,921.17	\$4,689,298.00	\$6,674,276.00	\$8,637,085.94	\$20,000,659.94

3. Promotional spending per purchase. What is this better known as? CPA

- Promotional spending per purchase is better known as CPA or Cost Per Acquisition. Cost Per Acquisition is a marketing metric that measures the aggregate cost to a company has to be to acquire a customer, effectively moving them down the sales funnel.
- The CPA for Squatty Potty can be seen below. In this scenario the promotional video expenditure is going to be utilized to represent the cost and the unit sales will represent the acquisition of a new customer due to the promotional video.
 - Total Cost of Video Production / Total Unit Purchases = CPA
 - \$2,964,921.17 / 780,702 = \$3.797
- Based on the calculation above we can see that it costs Squatty Potty \$3.797 to acquire one new customer. However, without something to compare it to the CPA alone is meaningless. For example, a good CLTV: CPA ratio is 3:1; however, as

CLTV has not been calculated it will not be utilized. Therefore, we will be comparing Squatty Potty's CPA to the industry average. Squatty Potty currently occupies the Health Care Manufacturing and Retail industry, research indicates that average CPA for Facebook in the Health Care industry is \$12.31 while the average CPA for Healthcare and Retail on Google is around \$72.58 for GDN and 78.09 for Search. In either situation we can see that Squatty Potty's CPA is significantly lower than the industries it is operating meaning they are effectively utilizing their marketing costs to acquire customers.

4. How much is a view worth on average? A like? A share? A comment?

	Facebook	Youtube
Views	125,475,750	31,443,004
Shares	1,680,020	719,321
Reactions/Likes	2,976,198	83,519
Comments	1,832,689	6,205
View to Share Ratio	74.7	43.7
Conversation Rate	1,832,689	6,205
Applause Rate	2,976,198	83,519
Amplification Rate	1,680,020	719,321

	Facebook
Clicks	329,239
Avg CPC	\$ 0.0430
Company Impact(Cost Per Acquisition)	\$ 0.51
Conversion	785
Revenue	11995
Company Impact(Revenue Per Acquisition)	\$ 15
Macro + Micro Conversion	785
Economic Value	1202347
Company Impact(Value Per Acquisition)	\$ 1,531.65

5. NPV of the initial \$250,000 investment in video production?

We should determine the cash flows and the discount rate in order to compute the NPV.

Cash flows from the data are as follows:

Date	Cash Flow
Oct-15	\$880,737.96
Nov-15	\$935,806.69
Dec-15	\$1,790,499.20
Jan-16	\$662,457.42
Feb-16	\$486,105.93
Mar-16	\$334,746.32
Apr-16	\$424,748.43
May-16	\$477,413.52
Jun-16	\$386,228.42
Jul-16	\$579,318.77
Aug-16	\$352,443.38
Sep-16	\$417,693.66
Oct-16	\$299,944.99
Nov-16	\$510,055.30
Dec-16	\$1,497,290.91

From the given data we know that initial production cost is \$250,000

We will assume that annual discount rate is 8%.

Also, we will calculate the period from 0.

For period 1 it is $1/(1+0.08)^{(1/12)} = 0.99360710198$

Date	Discount Rate
Oct-15	0.993607102
Nov-15	0.987255073
Dec-15	0.980943652
Jan-16	0.974672579
Feb-16	0.968441597
Mar-16	0.962250449
Apr-16	0.95609888
May-16	0.949986637
Jun-16	0.943913469
Jul-16	0.937879127
Aug-16	0.931883361
Sep-16	0.925925926
Oct-16	0.920006576
Nov-16	0.914125068
Dec-16	0.908281159

Discounted Cash Flow = $CF1 / (1 + 0.08)^{(1/12)}$

Date	Period	Cash Flow	Discount Rate (8 %)	Discounted Cash Flow
Initial Cost	0	\$250,000.00	1	-250,000.00
Oct-15	1	\$ 880,737.96	0.993607102	\$ 875,107.49
Nov-15	2	\$ 935,806.69	0.987255073	\$ 929,824.17
Dec-15	3	\$ 1,790,499.20	0.980943652	\$ 1,779,052.72
Jan-16	4	\$ 662,457.42	0.974672579	\$ 658,222.40
Feb-16	5	\$ 486,105.93	0.968441597	\$ 482,998.30
Mar-16	6	\$ 334,746.32	0.962250449	\$ 332,606.32
Apr-16	7	\$ 424,748.43	0.95609888	\$ 422,033.06
May-16	8	\$ 477,413.52	0.949986637	\$ 474,361.46
Jun-16	9	\$ 386,228.42	0.943913469	\$ 383,759.30
Jul-16	10	\$ 579,318.77	0.937879127	\$ 575,615.24
Aug-16	11	\$ 352,443.38	0.931883361	\$ 350,190.25
Sep-16	12	\$ 417,693.66	0.925925926	\$ 415,023.39
Oct-16	13	\$ 299,944.99	0.920006576	\$ 298,027.47
Nov-16	14	\$ 510,055.30	0.914125068	\$ 506,794.57
Dec-16	15	\$ 1,497,290.91	0.908281159	\$ 1,487,718.88
			NPV	9,721,335.03