PUTTING ONLINE CAMPAIGN ANALYSIS INTO STRATEGIC CONTEXT

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Interactive Week Presentation Handout

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I'll admit that the sleek precision of the numbers your online marketing campaign yields isn't sexy. But don't let that stop you from truly analyzing your promotion, since it isn't *just* about the data! Instead, it should focus on converting the numbers to useable information in light of your strategic goals to guide future actions. This means looking at all of the factors influencing your campaign. Most important, you need to step into your consumer's shoes to get his perspective.

To your time-starved customer, your online ad isn't a brilliant creative or cool new technology. Rather it is something else vying for his limited attention that may fulfill a need he has. From his vantage point, your product or brand may not be top of mind and may be viewed against different competitive options.

In this context, your ad must be analyzed in broader terms. That includes how compelling your offer is, how effective your creative is, how the context of your media placement interacts with your offering, how customized your landing pages are, how streamlined your site processes are, and how offline purchasing is effected. Understanding these dynamics enables you to focus advertising buy effectiveness, determine optimization opportunities to improve advertising investment efficiency, and maximize customer lifetime value.

Armed with this knowledge, you can make sense of your campaign results using these analytics:

- **Total Advertising Cost**: Includes all marketing costs (i.e. - media, creative, related advertising targeting and measurement programs, premiums and other attributable marketing costs).
  Total Advertising Cost = Media Cost+ Creative Cost+ Other Relevant Marketing Costs where:
  Media Cost = [Impressions/1,000 *CPM]

- **Cost Per Thousand (CPM):** Model based on paying per user's view (or impression), which due to audience size is measure in thousands.
  Cost Per Thousand = Total Advertising Cost / # of Impressions *1,000
  Note: When advertisers and publishers talk about media buys, the CPMs to which they refer *only* include media costs (i.e. they don't include creative and related marketing costs).

  Strategic Considerations: Price alone may not reveal the media's true value to your offering. You need to assess media quality and placement as well how it reflects on your brand. For example, a more expensive media placement may yield visitors who convert at a higher rate or have greater lifetime value.

- **Click Through Rate (CTR):** Model based on paying per user's click, than user's view (or impression).
  Click Through Rate = # of Clicks / # of Impressions

  Strategic Considerations: CTRs show the strength of offer and creative to drive response. Lower CTRs may result in higher conversion rates.

- **Cost Per Click (CPC):** Cost to drive customers to your site.
  Cost Per Click = Total Advertising Cost / # of Click Throughs

Putting Online Campaign Analysis Into Strategic Context (Continued)
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- **Cost Per Click Rate (Continued)**
  Strategic Considerations: CPC underestimates true cost per acquisition, since it stops before conversion that may vary significantly.

- **Conversion Rate (CR):** Percentage of people who register or purchase of those who get to your site.
  Conversion Rate = # of Registrations / # of Click Throughs

  Strategic Considerations: CR measures your landing pages and site's effectiveness to get visitors to register or purchase. To improve conversion rates, examine landing page and site usability and processes. Consider whether potential customers view them as intuitive.

- **Cost Per Acquisition (CPA):** Cost to acquire a registrant or customer.
  Cost Per Acquisition= Total Advertising Cost / # of Acquisitions

  Strategic Considerations: While CPA may differ by product type and media placement, assess your results relative to your customer lifetime value to determine whether it is reasonable. Calculate for each media buy and for the entire campaign in aggregate.

How to project CPA
There are various ways to project campaign CPA. To do so, you need to make assumptions about your business. The following calculations use a fully loaded marketing spend (i.e. media, creative and related marketing).

To cover your short term costs:
CPA = Contribution Margin/# of Acquisitions where:
Contribution Margin = Net Revenues – Total Variable Costs where:
- Net Revenues are sales after returns and cancellations
- Total Variable Costs are the costs that vary with volume (i.e. – cost of product, fulfillment and bad debt including credit card costs). If you don't know your costs, make a projection based on industry standards or a similar offering within your firm.
- # of Acquisitions is the goal or budget you need to achieve.

Note: In the short term, you need to cover your variable costs. This may be the case when testing a new product or market or in the case of a start up business. Under certain conditions, you may operate at a loss. For example, you know that the lifetime value of the customer will far exceed the upfront loss.

To cover fully loaded costs:
CPA = [Contribution Margin – Premiums – Attributable Overhead] / [# of Acquisitions]
Note: From a direct marketing perspective, the numerator (i.e. Contribution Margin – Premiums – Attributable Overhead) is considered a Marketing Allowable, a form of sensitivity analysis.

Without cost information:
If you don't have the information from which to project CPA with these approaches, make an estimate based on past experience, similar products or research.