



BranchCommunications™

Digital eMarketing Agency



Search Metrics made Simple

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<http://www.branchcommunications.co.uk/downloads/what-do-paid-search-metrics-mean.pdf>





What are Paid Search Metrics?

When Online Marketers talk about paid search metrics, they are referring to different measures of data generated from a paid online marketing campaign. This mainly refers to Pay Per Click (PPC) campaigns for Google Adwords, Yahoo! Search Marketing, or Microsoft adCenter, but many of the metrics also refer to banner campaigns.

By understanding the metrics, you will not only be able to understand what is happening in your online marketing campaign, but will also be able to make informed decisions. This will enable you to get the most from your online marketing campaign, and put you back in the driving seat.

What do the terms mean and how are they calculated?

Click Through Rate (CTR)

$$\text{CTR} = \frac{\text{Total no. of Clicks}}{\text{Total no. of Impressions}} * 100$$

The Click Through Rate is the total number of clicks on your ad, divided by the total number of times that ad has been viewed, and expressed as a percentage.

A high CTR is not necessarily desirable. In Pay Per Click, you pay for each click. Not all the people who click through to your site are necessarily interested in what you have to offer. For instance if you were selling camping holidays, and were advertising on the search term 'Camping', some people might click on your ad looking for camping equipment. These would not be high quality leads. It would be better in this case to adjust the ad to put these people off clicking. This would result in a lower CTR, but means those that do go to your site will be more interested in what you have to offer. If your CTR is very low, Google might slow the delivery of your ads, or even disable them altogether.

Cost Per Click (CPC)

$$\text{CPC} = \frac{\text{Total Cost of Clicks}}{\text{Total no. of Clicks}}$$

The Cost Per Click is what it costs you each time someone clicks on your ad.

Your CPC will depend on what keyword you are advertising on (how much competition there is on it), and where you would like to appear on sponsored listings (this does not apply for content matching). The amount you pay will fluctuate depending on competitors' daily behaviour. You set a maximum cost per click (which will never be exceeded on any of the Pay Per Click engines). However, you may pay less per click, depending on what the person below in the list is bidding on some of the Pay Per Click engines. The figures reported by the Pay Per Click engines for CPC are averages from that day.



Conversion Rate

$$\text{Conversion Rate} = \frac{\text{Total no. of Actions that Resulted in a Conversion}}{\text{Total no. of Ads Clicked On}} * 100$$

The conversion rate is the percentage of people who have clicked through to your site and taken a desired action. This might be signing up to receive a newsletter, or making a purchase. To track conversions requires tracking to be inserted onto your site. This will not track the number of conversions that come through by phone, even if a person clicks on an ad, views a product on your site, then rings up and places an order. So bear in mind that conversion data will only measure online conversions.

Return on Investment (ROI) and Return on Ad Spend (ROAS)

$$\text{ROI} = \frac{\text{Profit generated by PPC} - \text{PPC Cost}}{\text{PPC Cost}}$$

$$\text{ROAS} = \frac{\text{Revenue generated from PPC} - \text{PPC Cost}}{\text{PPC Cost}}$$

Return on Investment is the monetary benefit derived as a result of all the costs involved in advertising online. A positive ROI figure would mean you are gaining from running your PPC campaign. An exact figure of ROI is not practical to calculate as the exact amount of profit for each sale would need to be known. Instead a rough ROI metric is used in PPC campaigns, which just uses the average value of a sale. This rough ROI metric is often referred to as Return on Ad Spend (ROAS). The ROAS figure is how much you are getting as a return on ad spending expressed as a multiple.

Cost Per Lead (CPL)

$$\text{CPL} = \frac{\text{Total Ad Spend}}{\text{Total no. of Leads}}$$

Cost Per Lead is the average of how much it costs to obtain each lead. It is a particularly useful measure for sites that advertise their services, rather than selling directly. It is a good way of comparing different ways of obtaining leads, and working out which one generates leads at the lowest cost. The lowest cost leads are not necessarily the best quality leads though, so the average return on a lead should be taken into consideration alongside it.



Cost Per Sale (CPS)

$$\text{CPS} = \frac{\text{Total Ad Spend}}{\text{Total no. of Sales}}$$

Cost Per Sale is the average of how much it costs to obtain a sale through your site. In the same way that CPL is a useful measure for non-ecommerce websites, CPS is a useful measure for ecommerce websites. It is a good way of comparing different ways of obtaining sales, and working out which one generates sales at the lowest cost. It is also worth considering the lifetime value of the customer when looking at CPS, as a customer may come back time and time again.

Cost Per Acquisition (CPA)

$$\text{CPA} = \frac{\text{Total Ad Spend}}{\text{Total no. of Acquisitions}}$$

Cost Per Acquisition is the average of how much it costs to obtain an acquisition. An acquisition could be a newsletter subscriber, someone filling in a brochure request form, or a new customer. CPA can be used instead of CPL or CPS as a way of directly comparing campaigns. This allows you to compare an ecommerce action such as a customer purchasing a holiday, with a non-ecommerce action, such as someone ordering a brochure.

Average Order Value (AVO)

$$\text{AVO} = \frac{\text{Revenue}}{\text{No. of Conversions}}$$

Average Order Value is a comparative measure for comparing online marketing campaigns, and identifying which one generates the most revenue. It can also be used to work out which keywords are performing better than others within a campaign.



Worked Example of Paid Search Metrics

Suppose a company has an Ad Campaign 'A'. It has 10000 ad impressions and 500 clicks in a day. Of those 500 clicks 20 people bought a product with an average value of £100, and 30 people ordered a brochure. Their total ad spend for the day is £250.

$$\text{CTR is } (500 / 10000) * 100\% = 5\%$$

$$\text{CPC is } £250 / 500 = £0.50$$

$$\text{Conversion rate for people making a Purchase is } (20 / 500) * 100\% = 4\%$$

$$\text{Conversion rate for people ordering a Brochure is } (30 / 500) * 100\% = 6\%$$

$$\text{Conversion rate Overall is } (50 / 500) * 100\% = 10\%$$

$$\text{ROAS (Rough ROI) = } ([20 * £100] - £250) / £250 = 7$$

$$\text{CPL} = £250 / 30 = £8.33$$

$$\text{CPS} = £250 / 20 = £12.50$$

$$\text{CPA} = £250 / 50 = £5$$

$$\text{AVO} = (20 * £100) / 20 = £100$$

Suppose it also has an Ad Campaign 'B'. It has 5000 ad impressions and 100 clicks in a day. Of those 100 clicks, 10 people bought a product with an average value of £300 and 10 people signed up for a brochure. Total ad spend for the day is £100.

$$\text{CTR is } (100 / 5000) * 100\% = 2\%$$

$$\text{CPC is } £100 / 100 = £1$$

$$\text{Conversion rate for people making a Purchase is } (10 / 100) * 100\% = 10\%$$

$$\text{Conversion rate for people ordering a Brochure is } (10 / 100) * 100\% = 10\%$$

$$\text{Conversion rate Overall is } (20 / 100) = 20\%$$

$$\text{ROAS (Rough ROI) = } ([10 * £300] - £100) / £100 = 9$$

$$\text{CPL} = £100 / 10 = £10$$

$$\text{CPS} = £100 / 10 = £10$$



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$$\text{CPA} = \text{£}100 / 20 = \text{£}5$$

$$\text{AVO} = (10 * \text{£}300) / 10 = \text{£}300$$

Campaign A has more clicks and a higher Click Through Rate than Campaign B, but Campaign B has a higher Conversion rate and a better Return on Ad Spending than Campaign A. So overall, from an ecommerce point of view, Campaign B is the better campaign. However, Campaign A delivers a lower Cost Per Lead than Campaign B. So it costs less to get someone to order a brochure through Campaign A. However, if people who order a brochure from Campaign B spend more by ordering from the brochure, Campaign B may return the better ROI.

Still Unsure about Search Metrics?

At Branch Communications, we firmly believe that in today's competitive world of Pay Per Click Marketing, a bidding tool is an absolute must to manage PPC Marketing. Unfortunately manually monitoring performance and tweaking campaigns is no longer enough - strategies need to be set up and defined. Campaigns need to be optimised 24/7. At Branch we utilise our suite of products to accurately measure a clients performance and ROI by keyword and optimise the campaign accordingly.

If you would like to find out how **We Can Help Your Company...**
Contact us on **0870 443 5778**, or info@branchcommunications.co.uk