

The Evolution of Online Advertising Metrics: Evaluating the Impact of the New Cost per Revenue Metric

Introduction

Online advertising metrics are evolving as technology and analytics become more advanced. Not long ago, third-party ad serving transformed the exercise of determining which placements were delivering the most cost effective clicks (measured as Cost per Click, or CPC), into optimized campaigns based on more meaningful Cost per Action (CPA) metrics, such as Cost per Sale and Cost per Acquisition. This evolution continues today as a new metric, Cost per Revenue (CPR), now gives advertisers an even greater level of insight when evaluating and optimizing their digital marketing programs.

Cost per Revenue (CPR) takes into account the actual revenue generated from particular sites and channels, allowing advertisers to consider both the number of transactions and the dollar size of the transactions. CPR measures how much it costs an advertiser to generate a dollar of revenue from a particular site or channel. For example, if a given site on a media buy generated a CPR of 0.2, it means that it cost \$0.20 for every dollar the site produced in revenue.

The Atlas Institute has performed a study examining the correlation between Cost per Revenue and Cost per Sale, with the goal of understanding how CPR might change media optimization decisions. The Atlas Institute evaluated the campaign results of BestBuy.com, a leading electronics and entertainment retailer. Atlas Vital Signs, a campaign and site analytics tool, was used to evaluate the results based on each metric.

A Powerful New Measure of Success

Over a fifteen-week online advertising campaign for BestBuy.com, the Atlas Institute determined that optimizing based on Cost per Revenue can produce better financial results than optimizing solely on Cost per Sale. Atlas Vital Signs, a campaign and site analytics tool, was used to evaluate the results based on each metric.

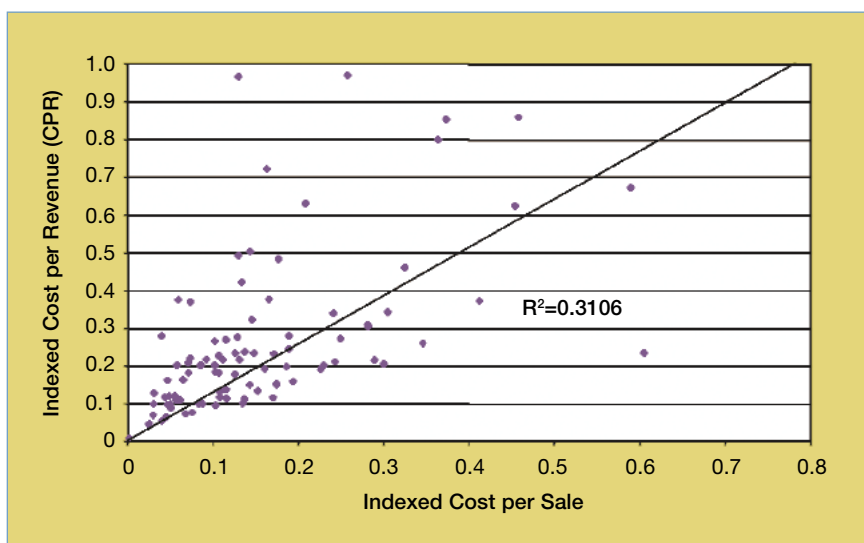


Figure 1: Correlation between Cost per Sale and Cost per Revenue (CPR)

What We've Learned

Figure 1 left shows the results from a 15-week campaign. Each point represents a site in BestBuy.com's media plan. The indexed Cost per Sale is shown on the x-axis, and the indexed Cost per Revenue is displayed on the y-axis.

If there were a perfect correlation between the two metrics, the dots would form a straight line.

However, the analysis shows that all sales are not equal. Some site populations efficiently produce a high number of sales, but with low average order sizes. Conversely, we see cases of sites that produced few sales but resulted in high total sales revenue.

This relationship showed that optimizing based on Cost per Revenue can produce better financial results than optimizing solely on Cost per Sale. Thirty percent of the sites that Best Buy decided to retain in the media plan based on Cost per Revenue would have been dropped had they optimized on Cost per Sale alone. Optimization resulted in a 36% decrease in Cost per Revenue across their media plan.

What This Means for Advertisers

This study shows that advertisers focused on driving online transactions can make more informed and relevant optimization decisions by adding Cost per Revenue to the set of metrics they use to evaluate campaign performance. Cost per Revenue represents the next step in the evolution of digital marketing metrics and can help advertisers build campaigns that more accurately deliver on their business goals.

About Atlas Vital Signs

Vital Signs is an online marketing campaign and site analytics tool from Atlas that provides advertisers with an integrated view of customers and marketing profitability. Integrated with the Atlas Digital Marketing Suite, Vital Signs blends ad-serving, site-behavior, customer-status, shopping and marketing campaign data to help advertisers analyze and optimize their marketing programs.

About the Atlas Institute

The Atlas Institute is the research and education arm of Atlas, a provider of accountable marketing tools and expertise for agencies, marketers, and publishers. The Institute publishes Digital Marketing Insights, a series of publications by Atlas senior marketing analysts and digital marketing experts that help our customers improve their digital marketing effectiveness. Many of these findings are also made available to the digital marketing industry at large. Each Digital Marketing Insight report is designed to help marketers more successfully build value with their customers, throughout the customer lifecycle: from awareness to acquisition and from retention to growth. The Atlas Institute also provides education in digital marketing to Atlas customers and partners. To view a full listing of the Atlas Institute's Digital Marketing Insights, please visit www.AtlasSolutions.com/insights.