ROI Calculation Example

Calculations can be hard to wrap your head around but are such a powerful tool in showing what has priority and can drive impact. That is why we included an extra calculation for you.

This time rather than looking at a new channel we look at the impact of optimising an existing channel. Now what makes optimising tricky is two things:

1. The first is that you could do it endlessly, but are all those optimisations worth it? How much time should you spend trying to optimise? When have you hit the point of diminishing returns?
2. The second is that it is not very tangible for the client: "Ok, you want to optimise Google Ads, what will this bring?". Good question, client. What will it bring?

You want to be sure that you know how much optimising will bring so that you are investing the right amount of time and that you can convince your client of the benefits. Luckily, you can calculate this.

Step 1: Download the necessary data
All you need is some data. Don't you just love data? We will use Google Ads as an example this time. Take the data from the last three months from your Google Ads account. If you have less than three months of data, no worries, work with what you have (in bigger accounts one month may be enough). Look at the following:

- Impressions
- Click Through Rate
- Clicks
- Cost Per Click
- Costs
- Conversions
- Conversion Rate

It should take you a few minutes to pull the data out of Google Ads and place it into an excel sheet. If you have it available in Google Ads, add revenue too. If not, calculate the average revenue per conversion.

Step 2: See if there is room for improvement
Now, where do you believe there is potential for improvement? Which areas are performing under par? Let's say it is the Click Through Rate. The keywords are ranking high, but the ads are not matching the keywords and have a low Click Through Rate. Now imagine you improved it from 5% to 7%, how many extra clicks does that bring? How many additional conversions would that result in? Determine where there is room for improvement such as:

- Optimising the landing page to improve conversion rate
- Optimising the quality score to reduce cost per click
- Optimising the ads for click through rate
- Increasing the volume with relevant keywords

Step 3: Calculate the costs, revenue and profit
Okay, so what will this cost or potentially save? So for the example of improving the click through rate you can calculate it by cost per click x extra clicks. Now you can work out the additional revenue as well based on the additional conversions. From there figure out what the final profit is? If it's €5,500 per month, it is well worth you spending a few hours optimising. If it is €220 per month, for larger clients, it is probably not worth spending too much time on it.

The goal here is not accuracy. We don't care if it is precisely €5,500 or €7,000. The goal is to see that it isn't €200. Don't use these figures to make promises to the client. Instead, use them to create a conservative estimate of the potential, so that you know if you should or should not advise them to go this route. Even then, optimisation is an experiment. Measure the results before and after, and see what it has brought.

Now there is no better way to do this by start practicing! Choose a new or existing channel, and give it a whirl, calculate the potential impact.

Enjoy & feel free to reach out!