

## 15.4: The Use of Metrics to Measure Advertising Campaign Effectiveness

### Learning Objectives

By the end of this section, you will be able to:

- List the key performance indicators (KPIs) for measuring the effectiveness of an advertising campaign.
- Describe how each KPI is measured.

### Key Metrics in Measuring Success

The most well-planned advertising campaigns are only effective if they bring about some result. Marketers use performance metrics to determine the effectiveness of a campaign.

Key performance indicators (KPIs) measure how an advertising campaign is achieving certain goals or objectives. Marketers choose to measure several KPIs to determine the impact of an advertising campaign. These metrics help marketers modify campaigns to meet the goals and objectives set forth.

### Brand Recognition

Brand recognition refers to the ability of a campaign audience to recognize and identify a specific brand. It measures the extent to which an audience can identify a brand with only a logo or photo. Depending on the advertising media used, marketers will choose the most appropriate metric to measure brand recognition. There are also numerous brand-tracking software programs that will gather this data for marketers.

### Brand Awareness

While brand recognition and brand awareness sound very similar, there is a distinct difference. Brand awareness takes recognition a step further to determine if audiences can recall information about the brand. Awareness often seeks to determine the emotions and impressions that a campaign has raised with specific advertisements.

### Impressions (Ad Views)

During an advertising campaign, marketers are also interested in quantifying how often an advertisement appears in a chosen medium, known as impressions. To calculate impressions, you need to first determine the rating of the advertisement. The rating is simply a percentage of the target audience that is reached with an advertisement. This data is often gathered by outside firms, such as Nielsen, a long-time marketing research firm.

The following is the accepted impressions formula:

$$\text{Impressions} = \text{Rating} \times \text{Target Population} \times \text{Number of Ads Run}$$

Let's assume that one of your television advertisements ran 2 times this week. Your target audience is 1 million people. You discover that your ad has a rating of 30 percent, or 0.30. Using the impressions formula

$$\text{Impressions} = 0.30 \times 1,000,000 \times 2 = 600,000 \text{ Impressions}$$

### Link to Learning: Nielsen

If you're going to be a marketer, you'll need to know Nielsen Company, a "global leader in audience measurement, data and analytics, shaping the future of media" (Nielsen, 2023). To better understand what the Nielsen Company is about, [read this Investopedia article](#).

Check out Nielsen's [2022 Global Annual Marketing Report](#) about current trends.

### Conversion Rate

A conversion rate refers to the percentage of an audience that has completed a desired action. The formula for conversion rate is

$$\text{Conversion Rate} = \frac{(\text{Number of Converts})}{(\text{Audience Size})} \times 100\%$$

For example, a web page advertisement may be attempting to get a viewer to click on the advertisement.

The conversion rate, then, would be the percentage of those viewers who clicked on the advertisement. Using our example of the web page advertisement, let's assume that our audience size 500,000 and the number of converts (that is, the number of viewers who click the ad) is 100,000. Our conversion rate would be

$$\text{Conversion Rate} = \left( \frac{100,000}{500,000} \right) \times 100\% = 0.020, \text{ or } 2.0\%$$

While industry averages can vary, generally a conversion rate somewhere between 2% and 5% for traditional marketing and above 10% for digital marketing is considered effective.

### Return on Ad Spend (ROAS)

Marketers are also often interested in calculating the return on advertising spending. Return on ad spend (ROAS) is a metric for the amount of revenue earned for every dollar spending on advertising. Unlike the other metrics discussed, ROAS utilizes the revenue from advertising. To calculate ROAS, you will simply divide the revenue for a given period by the advertising dollars in the period. The ROAS formula is

$$\text{ROAS} = \frac{\text{Revenue}}{\text{Advertising Dollars}}$$

Let's assume your company spent \$1,000 on an online campaign in a given month. The revenue generated from this campaign was \$5,000. Your ROAS for this campaign in this period would be \$5, or a 5:1 ratio:

$$\text{ROAS} = \frac{\$5,000}{\$1,000} = \$5$$

In other words, for every \$1 spent on advertisement, your company generated \$5 in revenue.

### Knowledge Check

It's time to check your knowledge on the concepts presented in this section. Refer to the Answer Key at the end of the book for feedback.

1.

Ally is a new marketer trying to determine the return on ad spend that her first marketing campaign netted. She spent \$500 on a Facebook advertisement, and the ad brought in \$20 of revenue. Which of the following would be the return on ad spend (ROAS)?

- a. \$25
- b. 5:1
- c. 10,000
- d. \$2.50

2.

You show your friend the Adidas logo and ask them which brand it identifies. This is an example of \_\_\_\_\_.

- a. brand impression
- b. brand awareness
- c. brand recognition
- d. conversion rate

3.

Coco is trying to determine if the most recent ad she created and launched has been effective at increasing revenue. Which of the following metrics would you recommend Coco use?

- a. ROAS

- b. Impressions
- c. Brand awareness
- d. Brand recognition

4.

Indicators that measure the effectiveness of an advertising campaign are known as \_\_\_\_\_.

- a. KMAs
- b. Recalls
- c. ROIs
- d. KPIs

5.

Liam is interested in the ratings of a recent television advertisement. They are interested in calculating the impressions of this ad. Liam knows that the target population of this ad is 500,000, and the ad runs three times. Which information is Liam missing to calculate impressions?

- a. Converts
- b. Rating
- c. Conversion rate
- d. Number of weeks the ad ran

#### Marketing Dashboard: Measuring the Impact of Advertising

When marketing professionals purchase advertising, they are primarily interested in who will see it. Advertising depends on views, as it is not direct response like search or email marketing. Therefore, marketing professionals are looking for the biggest bang for their buck. This is where cost per thousand (CPM) comes in. The “M” in cost per thousand represents the Latin term *mille*. CPM is the cost to advertise to 1,000 people.

An advertisement’s cost per thousand depends on a variety of factors. One such factor is how targeted an ad is to a given audience. Targetability increases the cost per thousand. Another factor is whether the media is digital or traditional. Traditional media (television, radio, print, and outdoor) have a higher CPM than digital advertising. Niche media may have higher CPM than mass media.

There are some legitimate criticisms of CPM. First, an ad view does not indicate an intent to purchase. It simply means that a prospective customer saw the ad. We have no way of knowing whether the ad was persuasive or changed behavior. CPM does not allow us to track behavior. Next, ad views may be duplicative or not properly targeted, potentially wasting the impression. For example, if you see an ad for the same running shoe three times and you’re not a runner, the brand wasted three impressions on you because you have no intent to purchase. Finally, ads may not run or load as intended, wasting advertising dollars on a failed impression.

$$\text{CPM} = \frac{(\text{Campaign Cost})}{(\text{Impressions})} \times 1,000$$

**Let’s revisit our ice cream shop from Integrated Marketing Communications. We decided to run an advertising campaign in the local newspaper. We paid \$1,000 for 2,000 impressions. What is our CPM?**

**Answer**

\$500

Last period, we acquired 15 customers from our advertising campaign with an average customer lifetime value of \$50. Did our advertising campaign have a profitable result in the last period?

**Answer**

No. We spent \$1,000 on advertising and gained \$750 in revenue.

Let's say we reallocate our \$1,000 advertising spend on a more targeted campaign. Do you expect that our CPM will increase or decrease?

**Answer**

CPM will most likely increase because targeted media typically has a higher CPM.

---

This page titled [15.4: The Use of Metrics to Measure Advertising Campaign Effectiveness](#) is shared under a [CC BY 4.0](#) license and was authored, remixed, and/or curated by [Elisabeth Dellegrazie](#) via [source content](#) that was edited to the style and standards of the LibreTexts platform.

- [14.3: The Use of Metrics to Measure Advertising Campaign Effectiveness](#) by [OpenStax](#) is licensed [CC BY 4.0](#). Original source: <https://openstax.org/details/books/principles-marketing>.