4 Avoidable Mistakes Businesses Make with eCommerce Return on Ad Spend (ROAS) Measurement

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Most eCommerce businesses rely heavily on advertising to bring in potential customers, and even to remind past customers of recently viewed items in the case of retargeting. There are a few principles every eCommerce business can follow to navigate these advertising waters successfully.

This article seeks to examine four common mistakes eCommerce marketing managers make when measuring the return on their advertising investments, and ways to avoid them.

Double (or triple) dipping your revenue

Often, eCommerce businesses will use different marketing agencies to manage different channels. One agency will run the email campaign, another one will cover social media, etc. There is absolutely nothing wrong with this—that is, unless the measurement is conducted through the use of the engine data of the different platforms.

It is important to remember that each platform has its own data and may not accurately reflect the overall picture. For example, if a person engages with a Google ad, then engages with a Facebook ad, then returns to Google and makes a purchase, both platforms will report a conversion. But in actuality, only one purchase was made.

Only through CMS tools or perhaps even just their Google Analytics last touch attributions will eCommerce businesses properly count purchases.

Incorrect growth measurement

When an eCommerce business experiences fluctuations in sales, asking why is a best practice. However, drawing conclusions about the effectiveness of a paid advertising campaign after dramatic changes in sales is far from prudent. Brands do not want to misattribute fluctuations in sales—that are really due to market conditions—to paid advertising.

Seasonal changes and sometimes even the most trivial circumstances can provoke major shifts in patterns. A change in weather—say, a period of cold and rain followed by agreeable weather—may cause people to spend more time outdoors and less time shopping online. (Some might even neglect to make sunscreen purchases!) This pattern, however, does not necessarily indicate that an advertising campaign faltered.

Month-over-month and day-over-day measurements are poor indicators for the success of campaigns, for reasons just explained. Businesses should focus on year-over-year metrics, comparing January's sales to those of January in previous years, as year-over-year measurements provide more instructive results.

Bad measurement design

Some marketers make the mistake of neglecting the differences between various advertising channels. For example, Google used to expire advertiser cookies after 30 days. Some advertisers were aware of this and yet got into trouble when their data was compared with data from other channels. It is essential to compare apples to apples—or, if that is not possible, at least know how many apples an orange is worth.

Another common mistake is in setting up data sets by not correctly identifying the source of traffic. Google Analytics can be an effective tool for measuring return on advertising spend (ROAS) for marketers who understand how to use the tool. An inexperienced user might be tempted to attribute sales through PayPal (or any other payment portal) to PayPal and not the source of traffic that preceded the PayPal visit.

Listening too much to sales reps

While salespeople from Google, Facebook, and other platforms will give extensive information about the functionality of their products, they are partial when advising on the usefulness of platforms and how success should be measured.

Sales reps often try to convince businesses that they are leaving profits on the table due to missed impressions, suboptimal bidding, and a poor ranking. The fact of the matter is that higher rankings and increased sales volume do not always lead to more profits, because profit margins can decrease when you bid higher for keywords.

Bottom Line

Technology makes it possible for eCommerce businesses to measure ROAS in many ways. This enables marketers to measure their advertising effectiveness and improve their campaigns, but at the same time increases the likelihood of costly mistakes. Marketers should avoid overcounting purchases by relying on their CMS to attribute sales and track revenue, use year-on-year measurements instead of monthly or quarterly figures, be vigilant when it comes to designing measurement programs, and not listen too much to their sales reps when it comes to measuring success.

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