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4 mistakes ecommerce marketers make when measuring return on ad spend

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Most ecommerce businesses rely heavily on advertising to draw customers to their Web sites and, in the case of retargeting, remind them of past visits or past purchase intentions.

When it comes to measuring ad spend, there are a handful of common pitfalls that every ecommerce business must know how to navigate.

In this piece, we take a look at four different mistakes that ecommerce marketing managers make when assessing the return on their advertising spend (ROAS), and the only 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. 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.

Google, Facebook and the other platforms have their own data and they are all too happy to claim success for a conversion.

Let us say your clients have seen a Google ad, a Facebook ad, maybe a retargeting display ad on a Web site, as well. They might have engaged with several of these ads, but only made one purchase. The problem now is that, in many cases, adding up the data from the different platforms will make you believe that you sold a multiple of what was actually purchased.

It is only through the use of their CMS systems or possibly even just their Google Analytics last-touch attributions that ecommerce businesses will avoid over counting purchases.

Incorrect growth measurement. An ecommerce business will encounter unexpected explosive sales during a period of time, or maybe the very opposite will happen, and so the business will naturally want to know what happened. Asking yourself questions about irregularities is highly recommended.

Jumping to conclusions about the effectiveness of a paid advertising campaign because you see a sudden change is, however, far from prudent.

Sometimes the most mundane reasons can cause spectacular changes in patterns.

Take the weather, where a period of cold and rain followed by agreeable weather will have people run to be outside and soak in the sun.

Not seldom will consumers in such a scenario neglect to purchase things online for just a few days. They might still buy sunscreen and camping gear. Did this course of events mean that the advertising campaign faltered? No, of course, it did not.

Month-over-month (MOM) measurement is not very instructive for the measurement of success of campaigns, and for reasons just explained day-over-day (DOD) metrics make even less sense.

Businesses will do well to focus on year-over-year (YOY) measurement comparing January to January.

Wrong measurement design. Another common mistake made in setting up measurement is ignoring the differences between channels.

Google Ads cookies used to expire in 30 days. Most ecommerce marketers were very well aware of this and yet got into trouble when Google's data was compared with the data from other channels.

It is important to be able to compare apples to apples, or, if that is not possible, and oranges are compared to apples, to at least know how many apples an orange is worth.

Another mistake pertains to plain errors in setting up the data sets.

Google Analytics is a boon to marketers who are looking to measure return on advertising spend (ROAS) if and only if they truly understand how to work it.

One mistake that can have a far-reaching impact is not accounting for the correct source of traffic when customers go through Paypal or any other payment portal where an inexperienced user might leave Google Analytics to attribute those sales to Paypal and not the source of traffic that preceded the Paypal visit.

Listening too much to sales reps. Sales reps of Google, Facebook and other platforms will deliver extraordinary value in explaining the functionalities of their platforms, but they are not impartial consultants when it comes to advice on the usefulness of platforms and how success should be measured.

These same sales reps will, for example, often try to convince businesses that they are "leaving impressions on the table," that their bidding is suboptimal and making them not rank as high as they could.

The fact of the matter is that ranking high is not always what you want or should want to achieve because the loss in margin will often not be compensated by the increase in sales volume.

TECHNOLOGY MAKES it possible for ecommerce businesses to measure ROAS in a myriad of ways, which is a boon to marketers, but at the same time a factor that increases the likelihood of costly mistakes.

Marketers should avoid overcounting purchases by relying on their CMS for attributing sales, stick to YOY measurement, take extra care of correct measurement design, and not listen too much to their sales reps when it comes to measuring success.

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