Determining Value Via ROAS

Return On Advertising Spend (ROAS), is a marketing metric that measures the efficacy of a digital advertising campaign. ROAS helps online businesses evaluate which methods are working and how they can improve future advertising efforts.[1]

SpareFoot has compiled this white paper to help self-storage marketing teams calculate and understand the true value of each of their marketing channels.

This white paper will answer three main questions:

1. What is ROAS and why does it matter?
2. How do you calculate ROAS?
3. What should you consider when running your own ROAS analysis?

Understanding ROAS

Many self storage operators use multiple different marketing channels to drive tenants to their facilities that may not find them otherwise. Some of these channels may include Google, Facebook, SpareFoot, and others.

When utilizing multiple marketing channels, it is important to understand the rate of return on each individual channel, in order to direct marketing dollars most efficiently. A common way to compare marketing channels is by using the "return on advertising spend," or ROAS metric.

[1] ROAS defined here: https://www.bigcommerce.com/ecommerce-answers/what-is-roas-calculating-return-on-ad-spend/

How to calculate ROAS

Here's a quick formula for calculating your own return on advertising spend:

ROAS = Gross Revenue from Ad Campaign / Cost of Ad Campaign

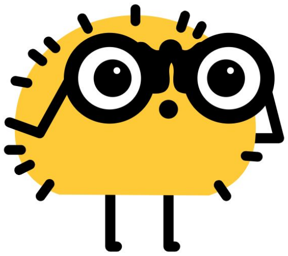
And here is a chart showing an example of the basic values you'll need in order to evaluate your ROAS for each marketing channel:

	Example	Explanation
Type of Marketing Channel	Paid	What type of marketing is this? Different channels should be viewed independently
Marketing Channel	SpareFoot	Reservation source
Reservation Total	500	Total number of reservations
Average Cost per Reservation	$60	How much are you paying for each reservation? (Spend per channel ÷ reservation total)
Rental Total	250	Total number of rentals
Move-in Rate (MIR)	50%	Percentage of reservations that turn into rentals (Rental total ÷ Reservation total)
Average Cost per Rental (CPA)	$120	How much are you paying (avg) for each customer that rents a unit? (Spend per channel ÷ total move-ins)
Spend per Channel	$30,000	Total spent on this marketing channel
Average Revenue per Rental	$1,500	What is the lifetime value of a tenant in this channel? (Average unit price x length of stay)
Estimated Total Revenue	$375,000	Rental total x average revenue per rental
Return on Ad Spend (ROAS)	12.5	For every dollar you spend on this channel, how many dollars are you making in return? (Total revenue ÷ spend per channel)

In the above example, SpareFoot sent you **500** reservations and you were able to turn **250** of those into rentals, giving you a **50%** move-in rate.

You spent a total of **$30,000** on these rentals, which would give you an average cost per rental of **$120** ($30,000 / 250).

Assuming an average unit price of **$150** for each SpareFoot rental, and an average SpareFoot length-of-stay of **10 months**, the average revenue per rental you would be getting from a SpareFoot rental would be **$1,500** ($150 x 10).



With an average revenue per rental of $1,500 and a total of 250 rentals, your average Estimated Total Revenue from the SpareFoot marketing channel would be **$375,000** ($1,500 x 250).

This means that for the $30,000 you spent on SpareFoot, you received $375,000 in revenue. Or in other words, for every **$1** you spent on SpareFoot, you received **$12.50** ($375,000 / $30,000).

Your ROAS for the SpareFoot marketing channel in this scenario (expressed as a multiplier) would be **12.5**.

ROAS can vary depending on the channel, but should generally always be positive if you are looking for a return on your investment.

Things to consider when comparing ROAS between channels

If you're conducting your own ROAS comparison, an incorrect calculation or consideration could severely impact your numbers. And if you're using these numbers to make decisions on your business, you'll want to make sure they are correct.

Here are some key factors to incorporate into your ROAS calculation:

- **Channel "weight":**
  A major consideration when comparing channels is the amount of volume that comes from each channel. For example, if one channel is slightly more expensive but also comprises a larger percentage of your

rentals, then you may be willing to spend a little bit more on that channel (since you'll end up with more paying tenants).

- **Channel comparison:**
  There are many different marketing channels to choose from, with varying payment models. Some channels operate on a pay-per-lead (PPL) basis, while others may be pay-per-rental (PPR). PPL channels will often be less expensive than PPR channels, since they are based on lead volume and not a realized rental. When comparing two cohorts, PPL and PPR channels should either be kept separate, or converted into the same channel type in order to accurately examine the channels.

  > *Note: PPL channels are often less expensive than PPR channels at the surface, since their primary purpose is to send a higher volume of leads--not rentals. In a PPL channel, you might end up paying for leads that do not turn into tenants.*

- **Channel maintenance costs:**
  There may be additional operational costs associated with managing and optimizing certain marketing channels, such as an employee's salary to maintain a Google AdWords campaign. With SpareFoot, our in-house SEO (Search Engine Optimization) and SEM (Search Engine Marketing) teams continually work to bring you more tenants--at no additional cost!

Allocating Marketing Spend Efficiently

Now that you know a bit more about ROAS, you're ready to conduct your own analyses to determine where your marketing dollars are best spent.

You'll want to allocate budgets toward channels that provide you with the greatest return on your investment, but also maintain a healthy mix of different types of marketing channels.

SpareFoot has a dedicated Client Care team standing by that is more than willing to answer any questions or to help you reach your business goals and objectives. Contact us at support@sparefoot.com, or 855-427-8193 option 2.