

Google AdWords: performance formulas



Calculate the performance of an AdWords account with the following formulas. All data must be calculated for the same period.

Conversion Rate

Definition:

The conversion rate is the proportion of visitors who buy a product or a service (for e-commerce website) or who subscribe for something, or in general have completed a goal, successfully.

Formula:

$$\text{Conversion Rate (CR) \%} = \frac{\text{Conversions} * 100}{\text{Visits}}$$

Average revenue per order

Formula:

$$\text{Average revenue per order} = \frac{\text{Revenue}}{\text{conversions}}$$

Cost Per Action - CPA

Definition:

Cost per Action (CPA) is the amount that the advertiser pays for each specified action (for example an order for e-commerce website).

Formula:

$$\text{Cost Per Action (CPA)} = \frac{\text{Spending}}{\text{Conversions}}$$

Value Per Conversion

Formula:

$$\text{Value per Conversion} = \frac{\text{Average revenue per order}}{\text{Cost Per Action}}$$

Value Per Click - VPC

Definition:

Value per click (VPC) is the expected profit from a current visitor to your website.

Formula:

$$\text{Value per Click (VPC)} = \frac{\text{Value Per Conversion} * \text{Conversions}}{\text{visits}}$$

Tip: Value per Click and Cost per Click rate must be $VPC > CPC$

Profit

Formula:

$$\text{Profit} = \text{Revenue} - (\text{Cost Per Action} * \text{Conversions})$$

Return On Investment - ROI

Definition:

Return on Investment (ROI) measures the ratio of your profits to your Google AdWords costs

Formula:

$$\text{Return on Investment (ROI) \%} = \frac{\text{Profit} * 100}{\text{Spending}}$$

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