

## Crunching Numbers: Measuring ROI and Conversions

The point of any advertising campaign is to return more money than was invested. If advertising costs more than the profits the advertising creates and has no potential to increase, then the wrong forms of advertising are being utilized. Advertising has the distinct benefit of attracting visitors to a website with very minimal effort. Advertising compliments SEO practices. Whereas SEO works in the long term, advertising can initially attract visitors and provide large and broad visibility.

ROI is one term that describes how useful an advertising campaign is. ROI stands for return on investment and describes the difference between what is spent on advertising and what the advertiser collects based on the exposure. For example, if an advertising campaign brings in an extra \$1,000 in one month, and the advertising campaign cost \$400, the ROI is \$600. If, in this case, the campaign cost \$1,200 and only produced an extra \$1,000 in profits, the ROI is a loss of \$200. Remember that advertising has many different elements to consider, so calculating ROI can be much more complicated.

ROI is one of the important numbers marketers will want to crunch, especially if they're paying for advertising. Another number to calculate is the conversion rate of customers. This is basically a ratio of the number of people that do something specific versus the total number of people that have visited the page. Usually the goal of a page is for visitors to make a purchase, though sometimes there is another desired action. For example, some sites may want users to register by providing a name and valid email address.

Imagine SolidGoldWidgets.com gets 1,000 visitors in a month. Of those, 30 make a purchase. Since conversion is a ratio, or percentage, the conversion rate can be calculated by taking 30 purchases and dividing by the total visitors of 1,000, which equals 3%. That means that 3% of SolidGoldWidgets.com's visitors are purchasing. While the conversion rate is different for each site depending on the purpose of the site, low conversion rates tend to occur below 1%, while high conversion rates are 5% or more.

A conversion rate reveals a lot about a website. First, this ratio tells how effective the site is at gaining new customers. While the purpose of advertising and marketing techniques like SEO is to increase the total number of visitors, this is no guarantee that these customers will make purchases. The idea is to provide a website that caters the needs of customers so that they'll be inclined to make a purchase when they visit.

A large part of increasing conversions is related to sales technique. Certain selling strategies, like offering sales, discounts, and online bonuses, can increase the likelihood of a sale. Also, offering upgrades and downgrades to a purchaser can also attract sales. Things like accessories and add-on products can also increase the amount of the sales.

A large part of increasing conversions comes from having a readable, understandable, and useable website, all characteristics of good SEO design. After all, if visitors are not given the best experience possible, they have no incentive to stay. Remember that there's a lot of competition on the web. A website has to stand out from the crowd and be user friendly to increase conversions.

### About the Author

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