

# Formulas for Evaluating a Promotion

Use these formulas to determine whether or not a promotion is worth purchasing.

## Cost Per Person Reached

$$\text{Cost of ad} \div \text{Number of people} = \text{Cost per person reached}$$

**Example:** A \$15 ad will reach 1,000 subscribers. Therefore:

$$\text{\$15} \div \text{1,000 people} = \text{about \$0.02 per person}$$

## Cost Per Click

If you have the click-through rate percentage, use that to find the number of people who click on an ad:

$$\text{Number of people} \div \text{Click-through rate} = \text{Number of clicks}$$

Then you can find the cost per click with this formula:

$$\text{Cost of ad} \div \text{Average number of clicks} = \text{Cost per click}$$

**Example:** An ad with 1,000 subscribers has a 30% click-through rate. Therefore:

$$\text{1,000 subscribers} \times \text{0.3 click-through rate} = \text{300 clicks}$$

We can use that to find:

$$\text{\$15} \div \text{300 clicks} = \text{\$0.05 per click}$$

## Cost Per Sale

$$\text{Cost of ad} \div \text{Average sales from ad} = \text{Cost per sale}$$

**Example:** An ad that costs \$15 generates an average of 26 sales. Therefore:

$$\text{\$15} \div \text{26 sales} = \text{about \$0.58 per sale}$$

## Break-even Point

First, we need to find your profit per sale at the sale price.

$$\text{Sale price} \times \text{Royalty rate} = \text{Profit per sale}$$

Then we can use this formula:

$$\text{Cost of ad} \div \text{Profit per sale} = \text{Number of sales to break even}$$

**Example:** I earn a 70% royalty on a \$0.99 sale. I buy an ad that costs \$15. Therefore:

$$\text{\$0.99} \times \text{0.7 royalty rate} = \text{about \$0.69 profit}$$

Now I can find how many sales I'll need to break even:

$$\text{\$15} \div \text{\$0.69 sale price} = \text{about 22 sales to break even}$$