



THE CASE FOR IGNORING ROAS

Measuring success with declining marketing demand and CPCs on the rise

There's no topic in digital marketing that comes up more than ROAS. Return on Ad Spend, or ROAS, tells you how much revenue you've generated for every dollar spent. It's a favorite metric for our stakeholders, especially those that are cost-conscious, as it reaffirms the worthiness of marketing spend. Unfortunately, as the cost of advertising increases year over year, ROAS has flattened out or even declined, and that's impacting how we support hotels.

How is ROAS determined?

ROAS is calculated by dividing the revenue generated from a campaign by the amount you paid to run the ads. Either side of that equation (revenue or cost) will impact the return.

What are the benchmarks?

We use benchmarks for each channel that tell us the average expected return:

- Expedia TravelAds: 10:1
- Booking Network Sponsored Ads: 10:1
- Metasearch: 7:1

How to analyze ROAS (the right way)

Before you jump to performance conclusions based on ROAS, consider:

- Has ADR recently changed? A decline in ROAS is often associated with ADR going down.
- What's the CPC? If demand is low and competition is high, the CPC goes up and that impacts ROAS. This is a common scenario for many of our hotels.
- What's the ROAS benchmark for the channel? Most campaigns will stay above benchmark. However, if you're in need of revenue and room nights don't hesitate to dip below our average.

What other metrics should I be looking at?

All of the metrics we provide in our reporting are part of the campaign's story. However, a campaign should ultimately be considered effective if it drove room nights and revenue at the times you needed it. With that in mind, always look at Bookings, Room Nights, and Revenue, in addition to ROAS.

The next time you review campaign performance, remember that ROAS doesn't tell you how many people booked a room. It only tells you the relationship between cost and revenue. Ad costs are going up, and for many hotels revenue is flat as the industry readjusts from post-COVID spikes. You can't solely rely on ROAS to determine campaign performance, nor should that metric impact how your budget is determined going forward. Paid media is one of our most effective tactics to help hotels be successful, and we can't let one metric minimize the effectiveness of your ad campaigns.

