A guide to calculating your ROI

How to unlock the real return from your SMS spend

When it comes to marketing, there are few channels more direct or convenient than SMS. Boasting an **average open rate of 98%**, SMS marketing is a great way to get your latest products, offers or news in front of your customers – fast.

Once you've completed your campaign, it's time to calculate your ROI. This eBook will help guide you through this process.

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Defining goals

Goals tend to fall into the four categories we've identified below.

It's important that **yours are clearly established before you launch** your SMS campaign. These objectives will form the basis of any measure of success for your campaign (AKA calculating its ROI!), so you'll be revisiting these later.

Goals	Metrics of measurement
Increased profits	• Number of downloads • Number of sales • Profit per promotion
New customer acquisition	• Number of leads • Conversions per lead • Cost per lead
Brand awareness and loyalty	• Number of new subscribers • Number of page visits
Data collection	• Number of responses • Data quality • Number of opt-outs

What success looks like

The success of your SMS campaign depends on achieving your business goals. To calculate your ROI, you'll use these goals to measure and learn what could have gone better, what went well and what needs to be tweaked to improve the success of your next campaign.

Having a clear understanding of how your campaign has performed will also be important to understand where to set your objectives for your next campaign, helping you set expectations for your future activities, as well as providing ideas for how to improve.

The following tips will help you understand the key metrics that your SMS campaign is likely to generate and whether it was a success.

Delivery rate

The percentage of text messages that have been delivered compared to those that were sent indicates whether your imported data was accurate or could be cleaner. A low delivery rate or percentage could indicate that some mobile numbers need to be removed or updated.

After your send, the first thing that you should be able to gauge is whether or not your send was successful.

You can calculate your delivery rate via the formula below.

$$\frac{\text{Delivered}}{\text{Total sent}} \times \mathbf{100} = \%$$

To access this data, simply log into our messaging platform, click "SMS" in the taskbar then navigate to "SMS History". Locate the campaign in question, and click the 3-dot symbol under the "Actions" column. Select "Detail" to find the total number of sent messages, and the number of delivered text messages.

Conversion rate

By measuring your conversion rate, you can better understand which offers or incentives engaged people and encouraged them to take action.

Depending on the goal of your SMS campaign, the conversion rate could be measured by looking at how many people downloaded a menu, called to book an appointment or redeemed an offer in store.

Your conversion rate can be calculated using the formula below.

$$\frac{\text{Number of people who took action}}{\text{Number of recipients}} \times \textbf{100} = \text{ROI \%}$$

Cost per conversion

Tracking how much you've spent for each active redemption, conversion, call or response will help you work out the total monetary return per campaign. It will also help you assess how SMS performs compared to your other channels such as email, letters and social media.

Calculate this by taking the number of goals that were achieved (i.e. the number of appointments booked, the number of items sold, the number of coupons used etc) and divide it by the cost of each delivered text message. The formula, for guidance, looks like this:

$$\frac{\text{Return}}{\text{Investment}} \times \textbf{100} = \text{ROI \%}$$

What's next?

Having the correct data is key to the entire ROI calculation process, as is the correct interpretation of it.

Always remember to:

▶ **Define goals and objectives before you start your campaign**

▶ **Keep a detailed and up-to-date database to ensure high delivery rates**

▶ **Calculate your ROI and present the data**

▶ **Consider using this data to inform A/B tests for future campaigns**

PRO TIP

A/B tests are when you split your database into two and send them a slightly different message to see which one performs better (e.g. one may have imagery while the other does not or the wording is slightly different). It's a great way to get to **know your customers better and improve your future campaigns**. Read more **here**.

Get more out of your SMS campaigns

One of the biggest challenges that many businesses face is calculating the true ROI of their marketing campaigns.

Whether your campaigns are one-off reactive sends or planned monthly campaigns, calculating the value your business has got from SMS can help you make improvements, encourage brand awareness, boost profits and encourage stakeholders to invest more in future campaigns.

If you have any questions surrounding calculating your campaign ROI or you want to learn more about how to maximise your SMS results, reach out to our account management team today.

Build your SMS Campaign
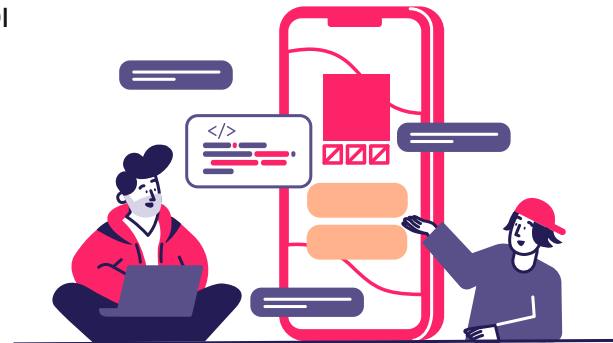
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