Sports Media Inc.

Cost Per Thousand (CPM)

Cost Per Thousand represents the relationship between the size of a media vehicle's audience (measured as households, adults, teens, etc.) and its cost in time or space. It is used to compare the cost efficiency of one vehicle with another; for example, one magazine with another or one radio station with another. The purpose is to gain the largest audience at the lowest cost. The cost is calculated *per thousand* to provide workable dollars-and-cents figures that are easier to compare.

Needed:

A. Gross impressions, that is, the number of households or persons exposed to a vehicle. (If the figures are given in GRPs, convert to numerical values by multi-plying GRPs by the population base.)

B. The cost of a single unit of advertising space or time. (Production costs are not normally included.)

Formula:

$$\text{Cost per thousand} = \frac{\text{Cost of media vehicle unit}}{\text{Gross audience impressions}} \times 1{,}000$$

Steps to work the formula:

1. Determine the number of gross impressions, annual attendance, households, or persons.
2. Divide the media unit cost by the number of gross impressions. This will give the cost per impression.
3. Multiply by 1,000 to convert to cost-per-thousand impressions.

Example:

A 20,000 seat Arena with Cup Holders at Anytown Arena cost $15.00 per seat per year, total cost $300,000. The Anytown Arena annual attendance for last year was 2 million. What is the cost per thousand attendees?

$$\frac{\$300{,}000}{2{,}000{,}000} \times 1{,}000 = \$150.00 \text{ CPM}$$

An advertiser would pay $150.00 for each 1,000 visitors who were exposed to Cup Holder advertising for 3 hours. This figure is commonly compared with the CPM at another media such as magazines, newspapers, TV and radio station to determine which one is more economical. We must also consider the quality and effectiveness of a 3 hour impression.

Cost Per Impression (CPI)

To obtain the Cost Per Impression you simply take the CPM (from the example above) and divide by 1000.

Example:

CPM $150.00 divided by 1000 = .15 cents, Cost Per Impression (CPI)

An advertiser would pay .15¢ for each visitors exposed to Cup Holder advertising for 3 hours.

Return on Investment (ROI)

Continuing from the example above determine the ROI. To determine the ROI, take the total annual attendance and multiply it by the appropriate response rate (range from 2% thru 15%). Then divide the annual cost of Cup Holders by that percentage.

Example:

$$\text{Annual Attendance} \times \text{Response Rate \%} = \frac{\text{Response}}{\text{Cost of Cup Holders}} = \text{ROI}$$

$2{,}000{,}000 \times 2\% = \frac{40{,}000}{300{,}000} = \$7.50$	**$2{,}000{,}000 \times 10\% = \frac{200{,}000}{300{,}000} = \$1.50$**

An advertiser would pay $7.50 to acquire a new customer at a 2% response. Due to the power of Cup Holders, it would not be uncommon for an Advertiser to obtain a much higher response rate.

10 Reason Why Cup Holders are Successful

1. Long lasting Branding Impression
2. Year long campaign
3. Higher consumer response rate 2% to 15%
4. Lower customer acquisition cost.
5. Immediate ROI
6. Lower cost per impression (CPI)
7. Clear and strong consumer demographics
8. Exclusive market/facility
9. Customer loyalty through convinces
10. Free Press and Added Value Service