AD MATH BEFORE YOU SPEND

Separate sales from contribution and set a realistic cost ceiling.

An ad report can show sales revenue while the business loses money. The order still needs ingredients, merchandise, packaging, payment processing or delivery. Some businesses also incur extra labor when they fulfill another order. Start by estimating what remains after those costs.

Contribution before advertising is net order revenue minus variable costs of fulfilling that order. It is the amount available for ads, other expenses and profit. It is not profit itself. Rent, creative production and other fixed or shared expenses have not disappeared.

REVENUE
Count the sale accurately.

→

CONTRIBUTION
Subtract variable costs.

→

AFTER ADS
Subtract ad spend too.

Use this guide to make the assumptions visible before committing a budget. The formulas describe the economics of an order; they do not predict how many orders advertising will generate. Estimates need checking against actual receipts, costs and completed customer outcomes.

Keep the definitions consistent

Here, net revenue means sales after discounts and refunds, excluding tax collected for remittance. Use consistent currency and a clearly defined group of orders. Include variable fulfillment costs, but exclude ad spend from those costs so you do not subtract it twice.

Measure	Calculation
Net revenue per order (R)	Net order revenue / paid orders
Variable cost per order (V)	Relevant variable costs / those orders
Contribution per order (C)	R - V
Cost per paid order (CPA)	Ad spend / attributed paid orders
Revenue ROAS	Attributed net revenue / ad spend

CPA here means cost per completed, paid order. It does not mean cost per unique new customer. A platform report might define its conversion as a lead, checkout or another action, so name your denominator rather than copying a label blindly.

A revenue ROAS of 3 means $3 of attributed revenue for each $1 of advertising. It does not mean $3 of profit. Check the value being reported: a value assigned to a form submission is not collected sales revenue.

With positive spend and zero paid orders, cost per paid order is undefined, not $0. Record spend and zero orders. Revenue ROAS is zero if attributed revenue is zero. Reconcile refunds and incomplete orders before treating a first report as final.

Calculate a ceiling, then leave room

Start with the order economics

Estimate revenue and variable costs from your own offer. Include processing fees, materials, packaging, delivery subsidies and labor that increases with fulfillment. Check whether discounts or product mix change the average. Use conservative assumptions when a cost or refund rate is uncertain.

When contribution C is positive, **contribution break-even CPA = C**. If you spend the entire contribution acquiring each order, nothing remains from those orders for other expenses. The matching **revenue ROAS threshold = R / C**, or 1 divided by the contribution margin ratio C / R.

These thresholds cover variable fulfillment costs and advertising only. They do not establish whole-business break-even. Set a lower target CPA if you need room for creative costs, overhead, uncertainty and profit. When V equals or exceeds R, the single order has no positive contribution available for ads.

Treat assumptions as assumptions

For leads, a planning ceiling is expected contribution per paid job multiplied by the share of leads that become paid jobs, minus follow-up cost per lead. An uncertain close rate makes that ceiling uncertain. Do not assume repeat purchases without evidence.

Attributed revenue is credited under reporting rules; it is not proof of extra revenue caused by the ad. Do not add overlapping platform totals to create business revenue. Keep the order ledger alongside advertising reports.

Worked example: a flower shop

Hypothetical offer, costs and results. Figures are simplified teaching assumptions, not an expected return.

A flower shop's pickup bouquet produces $40 in net revenue per order. Flowers, wrapping, processing and additional fulfillment labor total $24. Contribution is $16, or 40% of revenue. The contribution break-even CPA is therefore $16, and revenue ROAS at that point is $40 / $16 = 2.5.

Assume $120 in ad spend and ten completed, paid orders attributed to the run. Each order has the same economics, with no later refunds. The shop also paid $25 for a photo used only for this campaign.

Calculation	Result
Net revenue: 10 x $40	$400
Variable fulfillment costs: 10 x $24	$240
Contribution before ads: $400 - $240	$160
Contribution after ads: $160 - $120	$40
After the extra photo cost: $40 - $25	$15

Cost per paid order is $120 / 10 = $12. Revenue ROAS is $400 / $120 = 3.33, rounded. The remaining $15 is still before other overhead and applicable taxes. It is not the shop's net profit.

Now suppose a discount lowers net revenue to $36 while variable costs stay $24. Contribution falls to $12. With the same ten orders and $120 ad spend, contribution after ads is zero, before the photo cost or overhead. The revenue ROAS threshold rises to 3.

Your offer economics worksheet

Use one offer and a defined set of orders. Mark estimates clearly and replace them with actuals.

Net revenue per order R; discount and refund assumptions:

Variable cost per order V; what is included:

Contribution C = R - V; margin ratio C / R:

Contribution break-even CPA C; revenue ROAS R / C:

Lower target CPA; allowance for other costs and profit:

Actual spend, paid orders, net revenue and review date:

Check that recorded values represent revenue and that orders are not duplicated. Recalculate when prices, costs or the product mix change. A workable model is a condition for testing, not a guarantee of demand.

Sources and next steps

SBA: Break-even point | Google Ads: Conversion tracking data | Google Ads: Conversion Lift data

Sources checked October 6, 2026. Original guide and hypothetical examples by Hustlerman. Platform features can change.

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