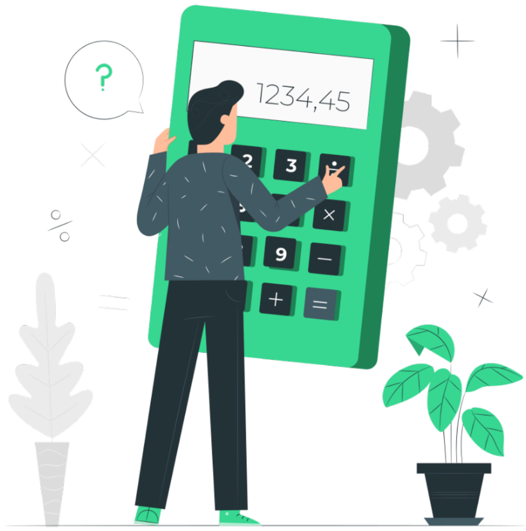
MINIMUM ROAS GUIDE

The minimum requested daily ROAS (return on ad spend) number you provide is one of the most important guidelines for our ad campaigns. This is not a number we're aiming for (usually the average ROAS is higher). This number acts as a daily guideline for us; it lets us know when to increase ad spend (when we're above it) and when to decrease ad spend (when we're below it). Keep in mind that ROAS is calculated by dividing ad revenue by ad spend.

There are some common mistakes you'll want to avoid when calculating your minimum ROAS number:



1. **Miscalculating:** It is crucial that you do your math correctly, only including incremental production costs into your equation (costs that are directly related to catering to additional backers). You'll want to be as accurate as possible when calculating your incremental costs to the dollar level, because any deviation could result in artificially inflating your minimum ROAS or buying backers at loss prices.

2. **Underpricing rewards:** Your rewards should be priced around 3–5x your incremental production costs. Remember, Kickstarter backers are a unique audience that will pay almost any price. There's no reason to undersell your product here.

3. **Playing it too safe:** Inflating your minimum ROAS number will severely limit (and maybe even eliminate altogether) the number of backers we'll be able to get you.

To make the most out of your advertising campaign, you'll want to acquire ad-generated pledges as long as you're profiting and then stop once you hit your break-even point.

There are two main reasons you'll want to pursue your break-even point with paid ads.

1. **Kickstarter is a unique platform** that acts as a stage that makes it possible to get higher returns because of urgency, social proof, limited quantity, and ticking clock momentum. Once your product leaves Kickstarter, you won't have the opportunity to acquire customers this easily elsewhere.

2. **When you run a project on Kickstarter,** you're not just collecting monetary pledges; each backer also comes with externalities (side-effects that further help your cause). These include more impressive numbers next to your main video (amount pledged and number of backers) which will make it easier for more backers to jump on board, a boost in organic traffic, and the customer lifetime value. These numbers also add to the valuation of your company and give you bargaining power when you're talking to resellers, investors, vendors, or other stakeholders. Plus, increasing the number of products you'll eventually manufacture will help reduce the cost per product.

This is why it's crucial to acquire as many customers as possible while you're on Kickstarter (again, even if at face value you're acquiring them at nearly break-even prices). Also, remember that this "acquire backers as low as your break-even point" logic only applies to ad-generated pledges. The pledges you acquire from organic traffic will have much higher profit margins (usually over 50%).

Here's the cost breakdown you should keep in mind when trying to calculate your minimum ROAS number.

For each ad-generate pledge, you'll incur:

COGS: For most creators this is between 20–33% of the selling price

15%: Jellop fees

10%: Admin (5% Kickstarter, 3% Stripe, 2% pledge management)

Ad spend: The shared media Facebook and Google ad spend make of the selling price

The break-even point is where:

15% + 10% + COGS + Ad spend = 100% (selling price)

Ad spend = 75% - COGS

ROAS is the inverse of ad spend, so the breakeven point is:

ROAS = 1/(75%-COGS)

Simply plug in your COGS to zero in on your break-even point that should be reflected in your min ROAS.

We will then pace the budgets, applying the lessons learned from more than 2,000+ Kickstarter projects, to buy you as many pledges as we can, within your budget and min ROAS guidelines.

> The minimum ROAS for creators whose COGS make 33% of the selling price.
>
> ROAS = 1/(75%-COGS) = 1/(75%-33%) = 1/(44%) = 2.27
>
> If the creator wants to hedge their risk, they can round it up to minimum ROAS of 2.5x and secure a 10% margin error). Creators with tighter margins or with a more conservative nature would set it a bit higher.

> The minimum ROAS for creators whose COGS make 20% of the selling price.
>
> ROAS = 1/(75%-COGS) = 1/(75%-20%) = 1/(55%) = 1.82
>
> If the creator wants to hedge their risk, they can round it up to minimum ROAS of 2x and secure a 10% margin error). Creators with healthier margins (such as creators of projects with digital only rewards who have no incremental COGS) would go even lower than that.

For a frame of reference, 2x is considered outstanding in ecomm for a relatively unknown brand outside of Kickstarter (when dealing with physical products).

You can use our calculator here to determine your minimum ROAS number (it will be based on the formulas mentioned above).