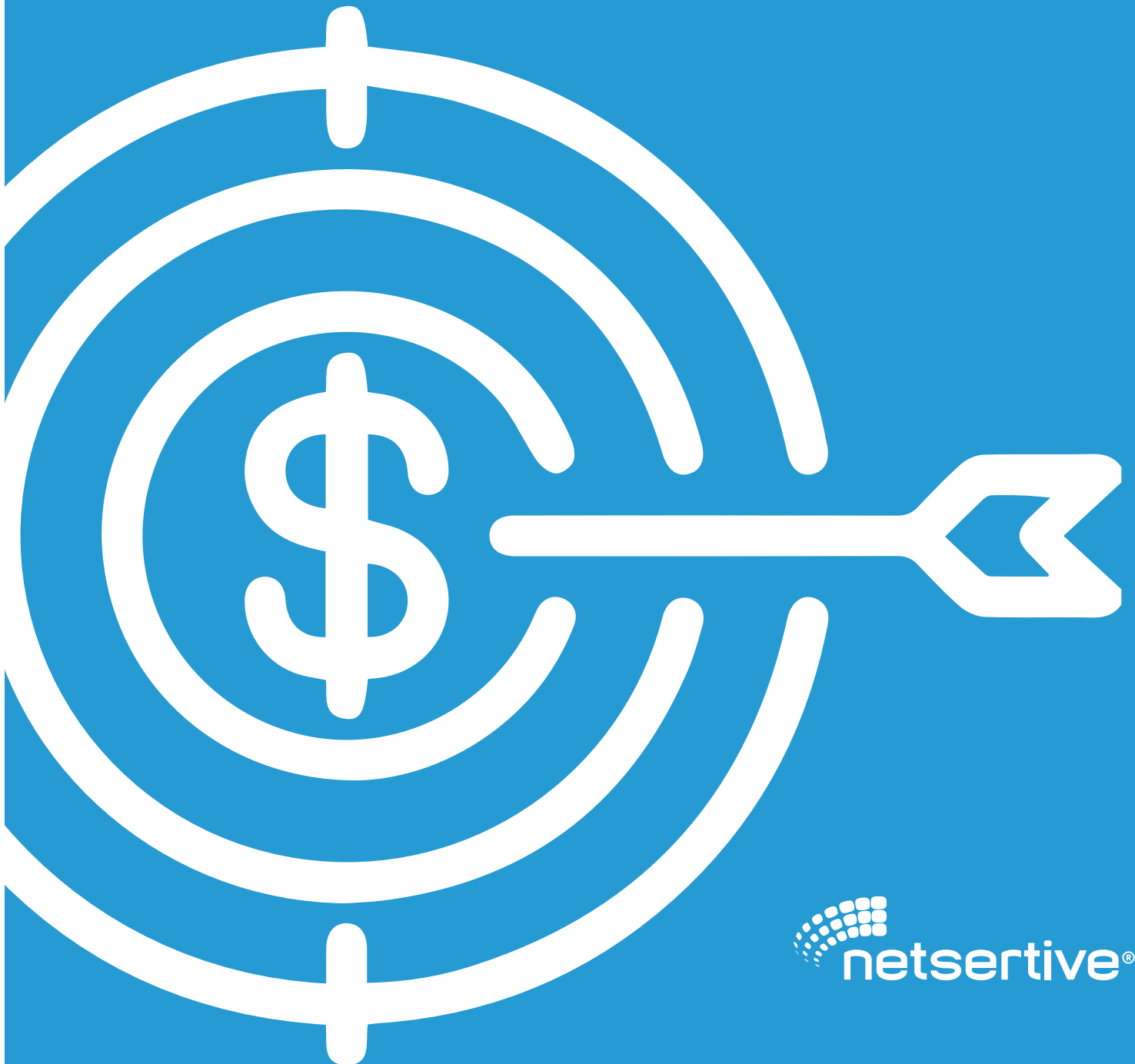


How to Calculate Your Ideal Digital Ad Spend



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Setting and optimizing your ad budget accurately is essential to a successful advertising campaign that maximizes ROI. But calculating just how much to spend on each advertising campaign and how to allocate across channels can get difficult quickly.

In order to pull off a successful campaign, you have to understand the different metrics that make up the ad landscape and how they affect your budget. In this playbook, we're going to break down what you need to pay attention to and why budget allocation is crucial to orchestrating a highly successful digital advertising campaign.

Understanding the Many Moving Parts in Your Ad Spend Wheel

To begin, you need to identify and analyze the many factors involved in calculating your ad spend if you want to maximize your ROI.

Search Traffic and Audience Sizes

Google and Microsoft Advertising will provide you with search traffic for keywords and even allow you to project your potential traffic based on a specific ad budget.

- Your primary digital ad platforms—Google, Microsoft Advertising, and Facebook—also offer many ways to target in-market audiences and curate custom audiences based on behavioral targeting.

Cost per Conversion

The dollar amount it takes for a website visitor to perform a conversion action on your site.

- These conversion actions—i.e. form fills and phone calls—will depend on your campaign and business model.



NETSERVATIVE BEST PRACTICE:

- Retarget visitors to a certain page on your website with search, display, social, and video ads.
- Analyze keyword bids to optimize towards those more likely to buy your product
- Frequently update your keyword and bid strategies to monitor performance—this way, you can clearly see which audiences are performing the best and better target your advertising.
- Depending on your current targeting, it's a good idea to target both high-intent and low-intent audiences to find potential customers.

Cost per Lead

Leads will always be form submissions, phone calls, and any transfer of contact information from a consumer to your business.

- You may have conversions that are not actual leads, so you should be able to distinguish between conversions and leads.
- Cost Per Lead refers to the dollar amount you spend to bring in a new lead.
- Calculate your Cost Per Lead by dividing the total amount of money you spend on marketing by your total number of new leads.

Purchase Price

The amount of money a customer pays for a product or service.

- Purchase price will come into play when calculating your ROI. Some campaigns with really strong metrics on leads and conversions may not bring in the best ROI if the purchase price is too high or too low for your cost per lead and conversion.
- For example, a luxury boat dealer's campaign may show lower ROI because they're only selling 2 boats a month from campaigns—however, because of the purchase price, they're still hitting their advertising objectives. On the other hand, a second-hand boat seller will need to sell more than two boats a month in order to reach their objectives. The difference lies in the purchase price for each.



NETSERVATIVE BEST PRACTICE:

- Stay on top of how your ad strategies are measuring up against your competition—that will determine how competitive your advertising will need to be.
- Review your keywords and search query results to make sure you're not wasting ad spend on irrelevant searches.
- Utilize Google's Keyword Planner to find additional keywords that are not in your current campaign. There may be high performing keywords you did not think of originally or even new keywords! Google estimates that 15% of all searches each day are new which means you may be missing high-value keywords.

Industry/Advertising Competition

Competition determines many variables around a digital advertising campaign, including:

- How competitive and expensive keywords are
- How much you will need to spend to generate a lead

- The role your digital ads will play in the customer journey based on consumer buying patterns
- Understanding how expensive your keywords are is crucial to determining Cost Per Click, which is a cornerstone of your advertising budget. It's impossible to know how much money you'll need to spend on advertising without understanding how much a click costs.

Share of Voice

The market share percentage your brand and company “owns.”

- Netsertive uses this term when analyzing search ad performance to determine how much of the total search terms we're currently capturing from visitors.
- Share of Voice is important for campaigns with strong ROI. These campaigns make money, so you want to give them a high budget. The campaign with the highest ROI is the one you should focus on, until the campaign stops adding incremental value.
- If there's a campaign that's doing better than other campaigns, you should reallocate budget to it in order to improve Share of Voice.



NETSERTIVE BEST PRACTICE:

- Build a higher budget into your top-performing campaigns.
- If you have an ad campaign with a high ROI, continue increasing your budget to that campaign. Increasing your ad spend for a successful campaign ensures that your ads are reaching as many potential customers as possible.

Using Co-Op Funds

When a brand or franchise offers to pay ad spend for a product or location.

- Co-op funds can be based on a percent of sales or other performance variables and are a great boost to local ROI.



NETSERVATIVE BEST PRACTICE:

- Always know how much you can be reimbursed by the franchise or brand because there may be a limit.
- When you know what the limit is for your location, you can better plan your budget and advertising goals.

Putting the Pieces Together: Calculating Your Perfect Ad Spend

Now that you have the basic factors and terminology down, it's time to take those building blocks and start calculating your target digital ad spend. Netsertive uses a specific approach for this process.



Start With Your Revenue

- The more granular insights you use in this process, the more precisely you can hone in on your ideal ad spend, beginning with the revenue per each product and service you offer.
- Once that is decided, you then determine the maximum amount you're willing to spend to acquire a customer.



Target Lower-Funnel Customers

- For most companies, it's best to initially aim for audience segments that are lower in the funnel.
- Engaging customers closer to conversion actions help maximize the Return on Ad Spend for new campaigns.



Determine Direct Consumer Interest

- Many companies don't have the benefit of significant direct consumer interest in their products or services to begin with.
- In these cases, it's often best to begin your digital advertising with ads focusing on establishing more awareness.
- Choose ad networks that will help you build brand or product recognition most effectively and efficiently.



Generate Your Unit Costs

- Once again, granular insights are critical in targeting the optimal ad spend, all the way down to unit costs.
- Ad cost estimator tools will help you generate units costs like CPC and CPM for different ad types —paid search, display, YouTube, connected TV, and social ads.
- Leverage an experienced outside partner if your team is unfamiliar with estimation tools.

CPC Is Industry-Specific

Not all industries are created alike. The average Google Ads CPC for insurance companies was \$18.57 in 2019-2020 whereas travel companies saw a \$1.86 CPC. Knowing what to expect for your industry will play a significant role in shaping your ad spend budget.

Ad Spend Tips for Multi-Location Businesses

If you're running campaigns for a business with more than one location, it's important to optimize each location with its own unique campaign messaging, targeting, and setup. This customized approach for specific locations will ultimately provide clearer consumer data and a higher ROI.

This entire process, from understanding and analyzing the many factors involved in your ad spend to planning and managing multi-location campaigns, requires experience and expertise.

That's what makes multi-location ad platforms like Netsertive such a valuable partner, one that can provide you with a true competitive edge.

Interested in learning more?

Contact us to discuss your business with our digital marketing specialists and learn how to capture your market demand. You can also learn more at [Netsertive.com](https://www.netsertive.com).

