thedigital company

8 key ways

to drive more value from your marketing spend

and get more leads and customers

INTRODUCTION

Dear Business Owner,

Would you like to:

- Drive more leads and customers to your business, for a lower cost?
- Get more value from your marketing spend?
- Identify which marketing channels are performing, and which are not?
- Discover cost effective ways to grow your business?
- Dominate your market and your competitors?

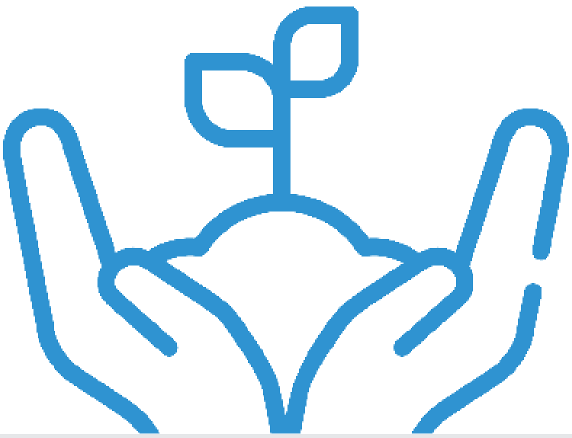
This report provides the answers to each of the above questions, and outlines the 8 key ways to drive more value from your marketing spend.

In this report, you will learn how to:

- Calculate your current overall marketing return on investment (ROI) and the ROI per marketing channel
- Only invest in channels that have a positive ROI
- Invest in all channels that have a positive ROI, not just those with the highest ROI
- Grow your customer base, while ensuring that the customer acquisition cost (CAC) is below the customer lifetime value (CLV)
- Optimise ROI in all channels and convert negative ROI channels to positive
- Target potential customers through their whole user journey
- Build your brand awareness and credibility to improve engagement and conversions
- Leverage owned and earned media to drive down overall ROI
- Use paid media to drive scale and gain market share

These are proven strategies that have been used in many industries and countries and are responsible for generating billions of dollars of additional revenue and profits.

Get ready to drive more leads and customers to your business while driving a lot more value from your marketing spend.



CONTENTS

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1.

CALCULATE CURRENT MARKETING ROI

Marketing return on investment (ROI) measures how much value your business receives in return from the marketing dollars and resources that you invest in your business.

To improve your marketing ROI, you need to understand the current marketing ROI for your business.

Working out the marketing ROI for your business can be a complex task, but in this report, we will take you through a process and show you some easy steps that will simplify this process. Firstly, in this section we will show you how to calculate your overall marketing ROI, and then in section 2, we will show you how to calculate the marketing ROI per channel.

To calculate your overall marketing ROI, subtract the cost of the marketing spend from the additional profit generated from the marketing spend, and divide that number by the cost of the marketing spend.

This calculation measures the efficiency of your marketing investment, known as the marketing ROI.

The higher the number, the higher your marketing ROI, and the more you are making from your marketing spend. If the number is negative, you have a negative marketing ROI and you are losing money on your marketing spend.

For example, say a business spends $10,000 in marketing, and from that generates an additional $55,500 in profit.

The marketing ROI is calculated as follows:

$$\frac{\underset{\text{Additional profit}}{\$55{,}500} - \underset{\text{Marketing spend}}{\$10{,}000}}{\underset{\text{Marketing spend}}{\$10{,}000}} = 4.55$$

This can be stated as either of the following:

- $ ROI – being for every $1 spent, $4.55 was generated
- % ROI – being a 455% ($4.55 *100%) return on investment

This business thus has a positive marketing ROI.

If you have a ROI that is greater than $1 or 0%, then you have a positive marketing ROI.

This is good, but it does not mean that your marketing spend is optimised and driving maximum value to your business. To ensure your ROI is maximised, you will need to work through the strategies outlined in this report.

If you have a ROI that is less than $1 or 0%, then you have a negative marketing ROI.

This means you have a serious problem that needs to be addressed quickly. You need to immediately work out which channels are positively and negatively contributing to overall ROI, assess if you can optimise the negative ROI channels and stop spending in the negative ROI channels which cannot be optimised to a positive ROI.

In section 2 and 3 of this report we will show you how to calculate the ROI per channel and how to optimise your ROI.

Alternate ROI calculation

Another way to calculate the ROI is to compare the customer acquisition cost for each customer (CAC) to the customer lifetime value (CLV).

Continuing with the above example, if the marketing spend of $10,000 generated an additional 222 customers then the CAC is calculated as follows:

$10,000	/	222	=	$45
Marketing spend		New customers		

The CLV is the additional profit generated by each new customer over their lifetime as a customer of the business.

For example, if 222 new clients were generated from the above spend then the CLV is calculated as follows:

$55,500	/	222	=	$250
Additional profit		New customers		

In this example, the marketing ROI is calculated as follows:

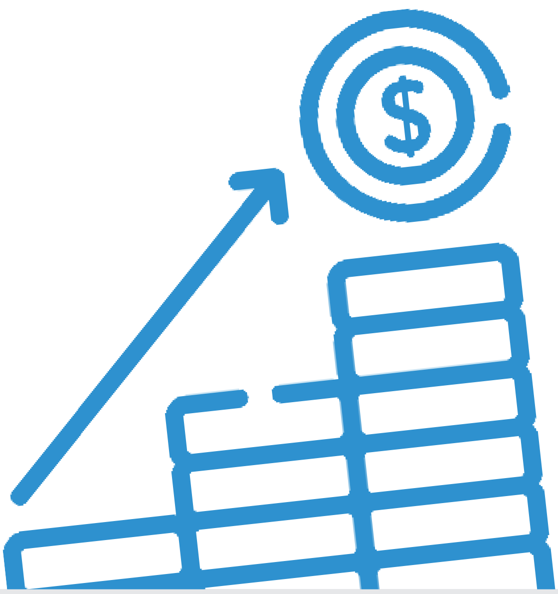
$$\frac{\underset{\text{CLV}}{\$250} - \underset{\text{CAC}}{\$45}}{\underset{\text{CAC}}{\$45}} = 4.55$$

Thus, the CLV at $250 is higher than the CAC at $45 and thus there is a positive ROI of 4.55.

An important note

This report is about marketing spend that is focussed on driving customers, also known as direct or performance marketing spend, and the marketing ROI associated with that spend.

Marketing aimed at building a brand is typically more costly, longer term and less measurable and thus significantly more difficult to calculate the associated marketing ROI.



2.

CALCULATE THE ROI PER CHANNEL

Once you have calculated the overall marketing ROI for your business, the next step is to calculate which channels have a positive and negative marketing ROI and which channels are contributing the most and the least to the overall marketing ROI.

You may have several channels that you are using to get more customers for your business, including both traditional and digital channels and owned, earned and paid media channels.

Paid media channels include both:

- **Fixed cost channels** - where you pay a fixed amount to show an ad for your business no matter the amount of exposure or leads sent.

- **Variable cost channels** - where you pay for each impression, click, lead or booking you receive.

To calculate the marketing ROI per channel you will need to calculate the customer acquisition cost (CAC) for each channel, and compare that to the customer lifetime value (CLV):

- **To calculate the CAC per channel:**

  You will need to gather information including, the dollars spent on that channel, the type of media model being used for each channel, the conversion rate per channel and the number of new customers generated. This information can be obtained from your media suppliers and your website analytics software.

- **To calculate the CLV:**

  Estimate the average future profit (not revenue) that will be generated per customer from all existing committed contracts plus estimated potential upsells of additional products and services. This can be done on an average basis using historical profits and customer numbers.

In the remainder of this section, we will give you some examples of common channels and media models and how to calculate the ROI and CAC for each of those channels. We will also provide you with a spreadsheet showing you how to calculate these metrics for your business.

Examples of common channels and media models:

a. Paid media | Digital | Cost per impression

Cost per impression (CPM) enables you to buy banner ads on websites and social media platforms.

CPM stands for the cost per thousand impressions or views of your ad, and the higher the number of impressions delivered, the higher the media fees you will pay.

The table below shows an example of how to calculate ROI for this channel:

Marketing spend	$1,000	a
Cost per impression	$0.03	b
Impressions	33.333	c = a / b
Impression to click ratio	0.522%	D
Clicks to website	174	e = c * d
Click to customer conversion rate	1.2%	f
New customers	**2**	g = e * f
Customer acquisition cost (CAC)	**$500**	h = a /g
Customer Lifetime value (CLV)	**$250**	i
Additional profit	$500	j = g * i
Profit/loss after marketing spend	**-$500**	k = a - j
ROI %	**-50%**	l = k / a * 100%
ROI $ ($ profit per $ spent)	**-$0.5**	m = k / a

In this example, the business has a negative ROI of -50% for this channel, meaning for every $1 spent the business only makes 50c. The business should thus not continue investing in this channel. How to assess which channels to invest in and how to optimise your overall ROI is discussed in more detail in section 3.

b. Paid media | Digital | Cost per click

Cost per click (CPC) enables you to purchase clicks from search engines or social media platforms to your website.

A fee is charged per click. The more clicks purchased, the higher the media fees you will pay.

The table below shows an example of how to calculate ROI for this channel:

Marketing spend	$1.500	a
Cost per click	$3	b
Clicks to website	500	c = a / b
Click to customer conversion rate	3%	d
New customers	15	e = c * d
Customer acquisition cost (CAC)	$100	f = a / e
Customer lifetime value (CLV)	$250	g
Additional profit	$3,750	h = e* g
Profit/loss after marketing spend	$2,250	i = h - a
ROI %	150%	j = i / a * 100%
ROI $ ($ profit per $ spent)	$1.5	k = i / a

In this example, the business has a positive ROI of 150% for this channel, meaning for every $1 spent the business makes $1.5. The business should thus continue investing in this channel. How to assess which channels to invest in and how to optimise your overall ROI is discussed in more detail in section 3.

C. Paid media | Digital | Cost per lead

Cost per lead (CPL) enables you to purchase leads from online marketplaces and business directory websites where potential customers have indicated that they are interested in a service and have added their responses to a series of questions to outline their requirements for the service.

A fee is charged per lead. The more leads purchased, the higher the media fees you will pay.

The table below shows an example of how to calculate ROI for this channel:

Marketing spend	$900	a
Cost per lead	$6	b
Number of leads	150	c = a / b
Lead to customer conversion rate	20%	d
New customers	30	e = c * d
Customer acquisition cost (CAC)	$30	f = a / e
Customer lifetime value (CLV)	$250	g
Additional profit	$7,500	h = e * g
Profit/loss after marketing spend	$6,600	i = h - a
ROI %	733%	j = i / a * 100%
ROI $ ($ profit per $ spent)	$7.3	k = i / a

In this example, the business has a positive ROI of 733% for this channel, meaning for every $1 spent the business makes $7.3. The business should thus continue investing in this channel. How to assess which channels to invest in and how to optimise your overall ROI is discussed in more detail in section 3.

d. Paid media | Digital | Cost per booking

Cost per booking (CPB) enables you to receive bookings direct to your business from online marketplaces and business booking websites, while only paying for the actual bookings received.

A fee is charged per booking made, and is generally a % commission on the price of the services booked or a fixed fee per booking.

The table below shows an example of how to calculate ROI for this channel:

Marketing spend	$500	a
Cost per booking	$20	b
Number of bookings	25	c = a / b
Booking to customer conversion rate	100%	d
New customers	25	e = c * d
Customer acquisition cost (CAC)	$20	f = a / e
Customer lifetime value (CLV)	$250	g
Additional profit	$6,250	h = e * g
Profit/loss after marketing spend	$5,750	i = h - a
ROI %	1,150%	j = i / a * 100%
ROI $ ($ profit per $ spent)	$11.5	k = i / a

In this example, the business has a positive ROI of 1,150% for this channel, meaning for every $1 spent the business makes $11.5. The business should thus continue investing in this channel. How to assess which channels to invest in and how to optimise your overall ROI is discussed in more detail in section 3.

e. Paid media | Digital | Fixed cost

Fixed cost digital paid media channels enable you to spend a fixed amount no matter the number of clicks or leads sent.

Examples include paying a fixed monthly fee for a premium listing on a business directory site or listing your business on a payment only online marketplace.

This type of channel can drive different types of leads including calls to your business, clicks to your website and emails requesting information. All these different types of leads need to be factored in, to calculate a blended customer acquisition cost.

The table below shows an example of how to calculate ROI for this channel:

Marketing spend	$600	a
Clicks to website	500	b
Conversion rate	1%	c
New customers from clicks	5	d = b * c
Emails contacts	60	e
Conversion rate	5%	f
New customers from emails	3	g = e * f
Phone calls	100	h
Conversion rate	4%	i
New customers from phone calls	4	j = h * i
Total new customers	12	k = d + g + j
Customer acquisition cost (CAC)	$50	l = a / k
Customer lifetime value (CLV)	$250	m
Additional profit	$3,000	n = m * k
Profit/loss after marketing spend	$2,400	o = n - a
ROI %	400%	p = o / a * 100%
ROI $ ($ profit per $ spent)	$4.0	q = o / a

In this example, the business has a positive ROI of 400% for this channel, meaning for every $1 spent the business makes $4. The business should thus continue investing in this channel. How to assess which channels to invest in and how to optimise your overall ROI is discussed in more detail in section 3.

f. Paid media | Traditional | fixed cost

Fixed cost traditional paid media channels enable you to pay a fixed amount to show an advertisement for your business, no matter the amount of exposure or leads sent. Examples include buying ads in newspapers, magazines, radio and TV.

This type of channel can drive different types of leads including calls to your business, clicks to your website and email requests for information. These all need to be factored in to calculate a blended customer acquisition cost.

This can sometimes be difficult to measure as many traditional media channels cannot be tracked at the same level as digital channels.

The table below shows an example of how to calculate ROI for this channel:

Marketing spend	$2,500	a
Clicks to website	100	b
Conversion rate	1%	c
New customers from clicks	1	d = b * c
Emails contacts	20	e
Conversion rate	5%	f
New customers from emails	1	g = e * f
Phone calls	25	h
Conversion rate	4%	i
New customers from phone calls	1	j = h * i
Total new customers	3	k = d + g + j
Customer acquisition cost (CAC)	$833	l = a / k
Customer lifetime value (CLV)	$250	m
Additional profit	$750	n = m * k
Profit/loss after marketing spend	-$1,750	o = n - a
ROI %	-70%	p = o / a * 100%
ROI $ ($ profit per $ spent)	-$0.7	q = o / a

In this example, the business has a negative ROI of -70% for this channel, meaning for every $1 spent the business only makes 70c. The business should thus not continue investing in this channel. How to assess which channels to invest in and how to optimise your overall ROI is discussed in more detail in section 3.

g. Owned media | Digital | Fixed price

Owned media channels include your own website and social media platforms.

Examples of marketing spend to optimise your owned media channels and drive more traffic to your website include:

- Search engine optimisation to improve rankings of your website on search engines
- Setting up and optimising multiple social media platforms

A key benefit of these types of channels is that they will continue to drive traffic and customers to your website for many months after the work has been done. See section 6 for more information.

For owned media channels, the marketing spend are the fees required to set up and optimise your various owned media platforms.

The table below shows an example of how to calculate ROI for this channel:

Marketing spend	$3,000	a
Clicks to website in Year 1	2,500	b
Clicks to website in Year 2	1,500	c
Clicks to website in Year 3	500	d
Total clicks	4,500	e = b + c + d
Click to customer conversion rate	3%	f
New customers	135	g = e * f
Customer acquisition cost (CAC)	$22	h = a / g
Customer lifetime value (CLV)	$250	i
Additional profit	$33,750	j = i * g
Profit/loss after marketing spend	$30,750	k = j - a
ROI %	1,025%	l = k / a * 100%
ROI $ ($ profit per $ spent)	$10.3	m = l / a

In this example, the business has a positive ROI of 1025% for this channel, meaning for every $1 spent the business makes $10.3. The business should thus continue investing in this channel. How to assess which channels to invest in and how to optimise your overall ROI is discussed in more detail in section 3.

Comparing the ROI per channel

By comparing the ROI by channel for your business, you can see which channels are driving the highest ROI.

For example, based on the above examples:

	Paid media Digital CPM	Paid media Digital CPC	Paid media Digital CPL	Paid media Digital CPB	Paid media Digital Fixed cost	Paid media Traditional Fixed cost	Owned media Digital Fixed cost	TOTAL
Marketing spend	$1,000	$1,500	$900	$500	$600	$2,500	$3,000	$10,000
New customers	2	15	30	25	12	3	135	222
Customer acquisition cost (CAC)	$500	$100	$30	$20	$50	$833	$22	$45
Customer lifetime value (CLV)	$250	$250	$250	$250	$250	$250	$250	$250
Additional profit	$500	$3,500	$7,500	$6,250	$3,000	$750	$33,750	$55,500
Profit/loss after marketing spend	-$500	$2,250	$6,600	$5,750	$2,400	-$1,750	$30,750	$45,500
ROI %	-50%	150%	733%	1,150%	400%	-70%	1,025%	455%
ROI $ ($ profit per $ spent)	-$0.5	$1.5	$7.3	$11.5	$4.0	-$0.7	$10.3	$4.6

Click here to download the worksheet we have developed to assist you to calculate the ROI for all the channels in your business.

Now you understand which channels have a positive and negative ROI, and which channels are contributing the most to your marketing ROI, in the following section, we will show you how to optimise the ROI for your business.

An important note on attribution

It is important to note that in all the above examples we have assumed that the last click drove the new customer acquisition, and thus have given credit for that customer acquisition to the channel that drove the last click.

However, in some cases that last click may have been driven by marketing spend on other channels further up the funnel.

> For example, the last click might have been a brand search on Google, but prior to that, the customer may have seen a banner ad on a news website; then went to the brand Facebook page and then clicked on a paid search ad while doing more detailed research.

In this example, all those channels should receive some credit for the final conversion, not just the last click. This is known as attribution, and it tries to set rules that determine how credit for acquisition and conversion are assigned to touchpoints and channels in conversions paths. It can be a complex and difficult area to get right.

We recommend focussing on a last click single attribution model as a start to keep things simple. Then as you spend more on marketing, and use more channels, consider using a weighted or probabilistic attribution model to drive a more accurate allocation of spend.

3.

UNDERSTAND AND OPTIMISE ROI DRIVERS

You should now have better understanding of what the marketing ROI is for your business, the ROI per channel and the relationship between the customer acquisition cost (CAC) and the customer lifetime value (CLV).

The focus of this section is to show you how to optimise your overall marketing ROI.

The key ways to optimise your marketing ROI are:

a. Invest in all channels that have a positive ROI
b. Invest up to the point that the cost of customer acquisition (CAC) is just below the customer lifetime value (CLV)
c. Optimise all channels, with an initial focus on the negative ROI channels
d. Don't invest in negative ROI channels that cannot be optimised to a positive ROI
e. Invest more in high ROI channels and less in low ROI channels

In the example from section 2, the overall marketing ROI and the ROI per channel is as follows:

	Paid media Digital CPM	Paid media Digital CPC	Paid media Digital CPL	Paid media Digital CPB	Paid media Digital Fixed cost	Paid media Traditional Fixed cost	Owned media Digital Fixed cost	TOTAL
Marketing spend	$1,000	$1,500	$900	$500	$600	$2,500	$3,000	$10,000
ROI %	-50%	150%	733%	1,150%	400%	-70%	1,025%	455%
ROI $ ($ profit per $ spent)	-$0.5	$1.5	$7.3	$11.5	$4.0	-$0.7	$10.3	$4.6

Using this example, we will now show you what process to go through to optimise the ROI for your business.

a. Invest in all channels that have a positive ROI

To optimise your ROI, you should not just invest in the channel with the highest ROI, you should invest in all channels where the ROI is positive.

Channel allocation should not be a choice of one channel or another, multiple channels should be used to drive optimum ROI.

In the example from section 2, the business should be investing in all the positive ROI channels being:

Channel	ROI %	ROI $ ($ profit per $ spent)
Paid media - Digital - CPB	1,150%	$11.5
Owned media - Digital - Fixed cost	1,025%	$10.3
Paid media - Digital - CPL	733%	$7.3
Paid media - Digital - Fixed cost	400%	$4.0
Paid media - Digital - CPC	150%	$1.5

Many businesses fall into the trap of only investing in the highest ROI channels or moving funds from a channel they feel is not performing to another channel. This approach will limit the number of new customers and thus limit how quickly you grow your business.

Investing in multiple positive ROI channels will optimise your overall ROI as well as:

- Increase your reach as you will be seen by more customers across multiple channels
- Reduce the risk of reliance on one channel and one provider - for example, investing everything on CPC ads on Facebook creates too much reliance on that one provider.
- Ensure that your business can appear multiple times throughout the user journey, across multiple channels thus increasing brand awareness, click through rates on paid ads and conversion to purchase rates - see section 4 and 5 for more information
- Ensure you are competing against your competitors in as many channels as possible

b. Invest in acquiring customers up to the point that the cost of customer acquisition (CAC) is just below the customer lifetime value (CLV)

To optimise your ROI, you should invest in all channels where the CAC is just below the CLV.

This is another way of saying what we outlined in the previous point, about investing in all channels that have a positive ROI. We have included this as a separate point as it is important to understand the relationship between revenues, costs and profits at a customer level.

In the example from section 2, the business should be investing in all the channels where CLV is greater than CAC, being:

Channel	Customer acquisition cost (CAC)	Customer lifetime value (CLV)
Paid media - Digital - CPB	$20	$250
Owned media - Digital - Fixed cost	$22	$250
Paid media - Digital - CPL	$30	$250
Paid media - Digital - Fixed cost	$50	$250
Paid media - Digital - CPC	$100	$250

To manage your risk, as things can change, and some assumptions may be incorrect, you may want to only invest up to say 90% of your CLV. For example, if the CLV = $250, then you may only want to use channels that have a CAC lower than $225 (which is 90% * $250).

C. Optimise all channels, with an initial focus on the negative ROI channels

All channels can be optimised to improve ROI for that channel.

There are several ways to optimise a channel. These include:

- Improve audience segmentation and targeting of media spend
- Increase the viewability of your ads
- Lower the cost of the media
- Increase the conversion rates at all parts of the funnel
- Reduce media wastage

In the example from section 2, the paid media CPM channel has a negative ROI of -50%, meaning that for every dollar spent, only $0.5 of additional profit is generated. This is obviously not a good use of scarce marketing dollars.

By doing some work on some of the key metrics in this channel, it is possible to change this to a positive ROI channel. For example:

- Reduce the cost per impression from 3c to 2c – this can be done by moving to a lower cost provider or negotiating a better deal

- Increase the impression to click ratio from 0.5% to 1% – this can be done by improving the calls to actions and content of the banner ads, better segmentation and targeting of audience and ad content and improving viewability by ensuring ads are being seen

- Increase the website click to customer conversion rate from 1.2% to 2% – this can be done by improving the content and quality of landing pages, testing alternate landing pages and adding incentives to convert, like special offers

	Current	Future
Marketing spend	$1,000	$1,000
Cost per impression	$0.03	$0.02
Impressions	33,333	50,000
Impression to click ratio	0.5%	1.0%
Clicks to website	174	500
Click to customer conversion rate	1.2%	2.0%
New customers	2	10
Customer acquisition cost (CAC)	$500	$100
Customer lifetime value (CLV)	$250	$250
Additional profit/loss	$500	$2,500
Profit/loss after marketing spend	-$500	$1,500
ROI %	-50%	150%
ROI $ ($ profit per $ spent)	$0.5	$1.5

By making these changes this channel has moved to a positive ROI of 150%, meaning for every $1 spent, $1.5 profit is generated, which is a significant improvement over the previous negative returns.

d. Don't invest in negative ROI channels that cannot be optimised to a positive ROI

Where you cannot optimise a channel to become positive ROI, then immediately stop investing in this channel.

In the example from section 2, the ROI of the fixed cost traditional channel is a negative of -70% and if it cannot be optimised to become a positive ROI channel, then all media investment should be removed from this channel.

e. Invest more in high ROI channels and less in low ROI channels

Marketing spend should be allocated to the highest ROI channels.

In the example from section 2, the money saved by reducing spend in the negative ROI channels has been shifted to the highest ROI channels, being the cost per booking, cost per lead and owned digital channels.

Summary of optimisation changes

The implications of these changes can be seen in the following table:

	Paid media Digital CPM	Paid media Digital CPC	Paid media Digital CPL	Paid media Digital CPB	Paid media Digital Fixed cost	Paid media Traditional Fixed cost	Owned media Digital Fixed cost	TOTAL
Marketing spend	$1,000	$1,500	$1,200	$1,700	$600	$0	$4,000	$10,000
New customers	10	15	0	85	12	0	180	342
Customer acquisition cost (CAC)	$100	$100	$30	$20	$50	$0	$22	$29
Customer lifetime value (CLV)	$250	$250	$250	$250	$250	$0	$250	$250
Additional profit	$2,500	$3,750	$10,000	$21,250	$3,000	$0	$45,000	$85,500
Profit/loss after marketing spend	$1,500	$2,250	$8,800	$19,550	$2,400	$0	$41,000	$75,500
ROI %	150%	150%	733%	1,150%	400%	0%	1,025%	755%
ROI $ ($ profit per $ spent)	$1.5	$1.5	$7.3	$11.5	$4.0	$0.0	$10.3	$7.6

All channels now have a positive ROI, with more weighting to the highest positive ROI channels.

In summary, these optimisation changes have resulted in the following:

	Current	Future	Change
Marketing spend	$10,000	$10,000	$0
New customers	222	342	120
Customer acquisition cost (CAC)	$45	$29	-$16
Customer lifetime value (CLV)	$250	$250	$0
Additional profit/loss	$55,500	$85,500	$30,000
Profit/loss after marketing spend	$45,500	$75,500	$30,00
ROI %	455%	755%	300%
ROI $ ($ profit per $ spent)	$4.6	$7.6	$3.0

The key benefits, from the same level of spend are:

- A decrease in the CAC from $45 to $29
- An increase in new customers from 222 to 343
- Additional profit generated of $30,000
- An increase in overall ROI from 455% to 758%
- An increase in $ profit for $ spent from 4.6 to 7.6

This is a significant improvement.

You should now be able to optimise the marketing ROI for your business.

Click here to download the worksheet we have developed to assist you to calculate and optimise the ROI for all the channels in your business.

4.

MAP AND OPTIMISE THE USER JOURNEY

Research shows that only a very small percentage of potential customers are ready to buy now.

Most of your potential customers will follow some sort of user journey before they get to the point that they are comfortable to purchase a product or service. Marketing is not like baiting a hook, throwing in the line and reeling in the customers. It takes an interwoven net of marketing activities and touchpoints to influence a customer's purchasing decision.

Most user journeys follow these broad phases:

- Awareness
- Interest
- Consideration
- Evaluation
- Purchase
- Loyalty

This is also known as the purchasing or conversion funnel.

To optimise the user journey and drive the maximum number of customers to the end of the purchasing funnel you need to take the following steps:

a. Identify potential customers and target markets

Identify the different types of potential customers in each of your target markets. These are also known as personas. Each of these personas will have different needs and user journeys, and you will need different strategies to reach each of these personas.

> For example, you may be selling personal fitness training services to people who want to get fit and are just starting out, people that are already fit but want to improve, people that are pregnant, and older people who want to get fit. These all have different needs, and should be treated differently in terms of where you find them and what you provide to them to get them down the funnel.

b. Understand the user journeys

Once the personas are identified, all the potential different user journeys need to be identified and mapped, so you can start to understand the path to purchase.

> For example, a person that is already fit but wants to go to the next level, will already have some experience of fitness training and will be in a different part of the funnel and require different types of information to move them to the end of the funnel compared to a person that is just starting out doing fitness training.

c. Identify the media channels

Identify what media channels you can use to target each persona group as they move through their user journey's.

For example:

- Search engines – this is a channel where potential customers would be searching for products and services in the awareness, interest and evaluation phases

- Social media – this is a channel where potential customers would be sharing information and discussing the pros and cons of vendors and searching for information

- Online marketplaces or business directories – this is a channel where potential customers can compare business services and read reviews from other customers. **thedigitalcompany** can assist you to appear in key parts of your customers' user journeys by listing your business for free on one of our online marketplaces. Click here to find out more.

To get the coverage you need across multiple channels you may need to target digital media channels like display, search and social along with traditional media like print, radio and TV.

d. Identify the type of media

Assess and decide on which type of media, from owned, earned or paid media, is the best type to reach each persona group in each channel.

> For example, to reach potential customers in search engines you can either use paid media by buying paid search ads on a pay per click basis or you can use owned media by implementing search engine optimisation (SEO) to get high rankings in search engines.

For more information about owned, earned and paid media, see section 6 of this report.

e. Optimise brand presence

It is extremely important that potential customers are exposed to your brand at multiple points along the user journey.

This builds your brand awareness and leads to increased click through rates, engagement and conversions as people get to know your brand more.

To get the maximum brand presence at a positive ROI across all the user journeys, you will need a combination of owned, earned and paid media to achieve this, due to the high ROI of owned and earned channels.

f. Educate, don't sell

A great way to get people down the funnel is to educate them on the value that your services provide, answer all their queries and show how you differ to your competitors. This also builds your credibility.

Also, don't start doing a hard sell too early in the user journey. You need to build brand awareness, build credibility and get them down the conversion funnel before starting to sell.

5.

BUILD BRAND AWARENESS AND CREDIBILITY

Building your brand awareness and credibility can significantly increase your number of new customers via improved engagement and conversion.

Brand awareness is:

- The knowledge that consumers have about the existence of your brand and what it stands for, and
- The credibility and trust they associate with that brand

Brand awareness increases the likelihood that:

- Potential customers will click on your ads
- Engage with your business
- Make a purchase from you when they are ready

Most people will not buy from businesses that they don't know or that have not built trust and credibility along the user journey.

The key ways to build brand awareness and credibility are being present at multiple points through the user journey and sharing knowledge and information about your products and services, the industry and competitors - as outlined in section 4.

Media strategy

You should be using a combination of paid, owned and earned media, and both traditional and digital media channels to build brand awareness and credibility.

As discussed in section 3, these channels all come with different customer acquisition costs. You should ensure that you understand the customer acquisition costs for each channel, and avoid investing until you know you are generating positive ROI.

Generally, it is cheaper and results in a higher ROI to use owned and earned media, rather than paid media to build brand awareness and credibility. See section 6 for more information on this.

For example, a great free way to build some brand awareness is to add your business information to free online marketplaces or business directories where potential customers can compare business services and read reviews from other customers. Many of these online marketplaces rank well in search engines and spend large amounts on paid media so have many visitors and return visitors. Your business needs to be listed on these sites to be in front of potential customers looking for and comparing services.

An additional benefit of these online marketplaces is that your business will get a link back to your website which will help improve your search engine rankings.

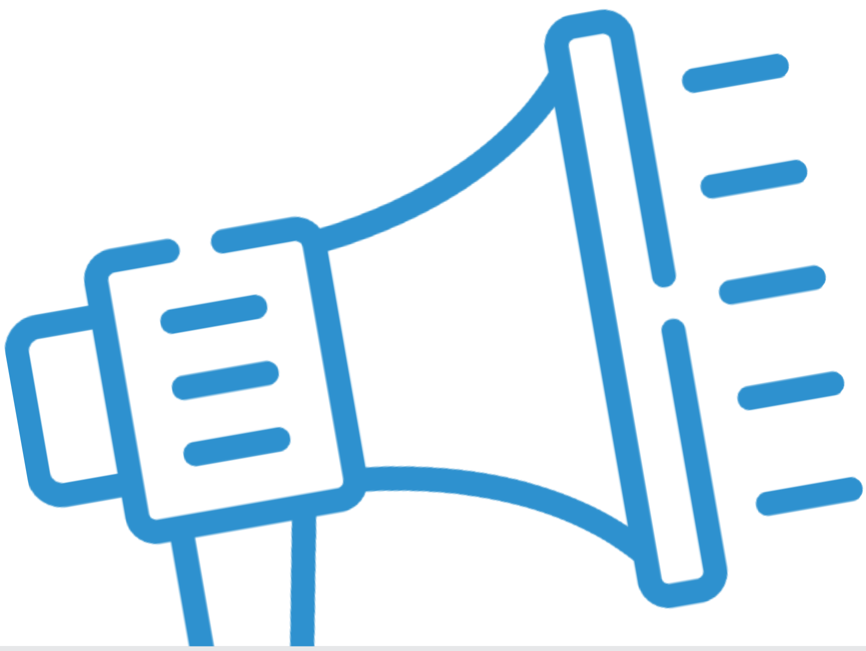
thedigitalcompany can assist you to build brand awareness and credibility by listing your business for free on one of our online marketplaces. Click here to find out more.

Another great free channel is building your social media presence across a selection of channels including Facebook, Instagram, LinkedIn etc depending on your business and your target market.

It is important to note that building brand awareness or brand marketing activities, should be tightly integrated with any performance (or direct) marketing activities that you are running.

Generally, performance marketing results in a specific action and is highly measurable, whereas brand marketing is about building a specific connection between your brand and your customers. With the introduction of more digital channels and better measurement techniques, brand and performance marketing are becoming more tightly linked, and you can run a brand awareness campaign that is also part of a measurable user journey and conversion funnel.

For example, a magazine advert can be used to build brand awareness but can also be part of a performance marketing channel if it can be measured and attributed to an action and a ROI calculated. For example, the advert may have coupons, specific telephone numbers or specific website links and landing pages that can all be tracked and measured.



6.

LEVERAGE OWNED AND EARNED MEDIA

There are three general types of media that you can use to build brand awareness and drive performance-based marketing actions, like clicks to your website or phone calls to your business.

These are:

- Owned media – this is when you leverage a channel that you create or control, and can include your website, YouTube channel, Facebook page or a business listing in a business directory.
- Earned media – this is when customers, the public or the press voluntarily share your content and speak about and discuss your brand.
- Paid media – this is when you pay to leverage a third-party channel, such as paid search, advertising on social platforms, other websites or traditional media like TV, radio and print.

There is a cost to all marketing channels, either time, money or both, but generally owned and earned media are lower cost and higher ROI channels. This is due to:

- No direct cost of acquiring the media – whereas for paid traffic there is a direct cost for each impression, click or lead purchased.

- Owned and earned media continuing to generate traffic after the investment in that channel – for example, the work done on a search engine optimisation (SEO) project on your website will drive additional traffic to that website for years after the last SEO work was done.

As an example, if we compare the paid media CPC channel and the owned media fixed price channel as per the example from the previous chapters, you can see how the extra traffic generated in future years drives a significantly higher ROI.

	Owned Media	**Paid Media**
Marketing spend	$4,000	$1,500
Clicks to website in Year 1	3,333	500
Clicks to website in Year 2	2,000	0
Clicks to website in Year 3	667	0
Total clicks	6,000	500
Click to customer conversion rate	3%	3%
New customers	180	15
Customer acquisition cost (CAC)	$22	$100
Customer lifetime value (CLV)	$250	$250
Additional profit/loss	$45,000	$3,750
Profit/loss after marketing spend	$41,000	$2,250
ROI %	1,205%	150%
ROI $ ($ profit per $ spent)	$10.3	$1.5

The owned channel has a ROI of 1,025% vs 150% for the paid channel.

Generally, in order to boost ROI you need a high proportion of owned and earned traffic relative to paid traffic, but as explained previously in this report, it is not just about what channel is the cheapest, it is about investing in all channels that have a positive ROI. So, for example in the above case it would be worth investing in both owned and paid channels, but with more invested in the owned channels due to the higher ROI.

thedigitalcompany can assist you with driving more owned media to your business by listing your business for free on one of our online marketplaces. Click here to find out more.

Another key benefit of having owned and earned media driving clicks to your website and digital properties is that this lower cost traffic it is great for testing and improving landing pages, calls to action and conversion funnels before investing in paid channels. These channels can also be used to build up some profits which could then be invested back into paid media and thus grow your business faster.

An important note

Owned and earned media have great benefits, but can lack scale and reach as you are relying only on your existing digital properties and social media platforms. That is where paid media becomes very useful. To grow your business faster, you need to amplify and scale your owned and earned channels by utilising paid media. See section 8 for more information on using paid media for your business.

7.

TRACK, MEASURE AND TEST

To ensure that you are making decisions on accurate data and that your ROI calculations are correct you need to ensure that all channels and all parts of the conversion funnel related to your marketing spend and revenue generated is being properly and accurately tracked.

For example, if you don't have the tracking on your paid search campaign properly set up, the traffic from this media spend may end up being allocated to the search engine optimisation channel rather than the paid search channel meaning the ROI for paid search will be understated and the ROI for SEO will be overstated. This will result in a misallocation of resources and an incorrect understanding of ROI and user journey.

Generally, it is relatively simple to track digital campaigns accurately, but for traditional media it is not so simple.

For example, it is a simple task to track a click from a paid search ad to your website, but not so simple to track the calls and clicks from an ad placed in a newspaper or on the radio.

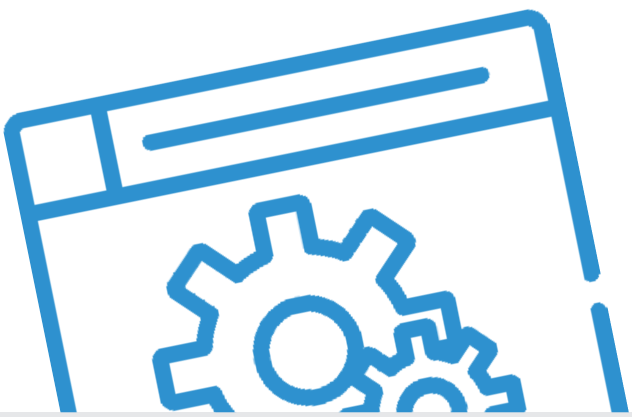
For traditional media, start by trying to tie back spend to some measurable actions.

For example, a radio ad run at a specific time could be monitored to measure the increase in inbound calls to your business, increase in clicks to your website and increase in your brand searches on search engines.

Once you've got the tracking properly installed, make sure you test different channels and strategies. Test everything, including different campaigns, landing pages, headlines, layouts, calls-to-action, and value propositions until you find the perfect approach for your target market and your business.

This type of testing, known as conversion rate optimisation (CRO), is a mixture of design, usability, content and psychology that can be applied to any part of the user journey, with the objective of improving the conversion rate for any type of conversion metric.

From the example outlined in section 3, you have seen how the ROI can be improved from making changes to several metrics. The table below shows how small changes to two key conversion metrics - being the impression to click ratio, and the click to customer conversion rate - can result in a big improvement to the ROI of a channel.



	Current	Future
Marketing spend	$1,000	$1,000
Cost per impression	$0.03	$0.02
Impressions	33,333	50,000
Impressions to click ratio	0.5%	1.0%
Clicks to website	174	500
Click to customer conversion rate	1.2%	2.0%
New customers	2	10
Customer acquisition cost (CAC)	$500	$100
Customer lifetime value (CLV)	$250	$250
Additional profit/loss	$500	$2,500
Profit/loss after marketing spend	-$500	$1,500
ROI %	-50%	150%
ROI $ ($ profit per $ spent)	$0.5	$1.5

The ROI has changed from a negative to a positive, and now for every $1 spent $1.5 is generated compared to 50c prior to the channel being optimisations.

The learnings from this experiment can then be applied to other channels, to improve the ROI on total marketing spend.

Your business should be tracking every possible metric and action, and have a continuous program of testing new strategies and comparing those to existing strategies. Many small incremental improvements in conversion rates can lead to significant improvements in total marketing ROI.

8.

USE PAID MEDIA TO DRIVE SCALE AND GAIN MARKET SHARE

Paid media allows you to scale your business and gain market share more quickly than relying solely on owned and earned media.

It also gives you access to many channels and platforms that can only be accessed for a fee.

Paid media should be part of the marketing mix, but should only be used once the following steps have been followed:

- Map the user journey's and conversion funnel – see section 4
- Build brand awareness and credibility using owned and earned media – see section 5
- Test and refine the user journey and conversion funnel using owned and earned media – see section 7

- Calculate the customer acquisition cost (CAC) and ROI for each paid channel – see section 3

- Test in high positive ROI channels and rework ROI calculations - to test if your initial calculations of the customer acquisition costs, particularly the cost of media and the conversion rate, are consistent with your initial assumptions, do a test with small amounts of paid media across a couple of your highest ROI channels. Then rework the ROI calculations based on the new data.

- Increase spend in high ROI channels

- Test in all positive ROI channels

- Increase spend in all positive ROI channels

Remember, as outlined before in this report, to maximise the ROI for your business you need to invest in all channels that have a positive ROI, not just those with the highest ROI, and invest in acquiring customers up to the point that the CAC is just below the CLV.

An important note

Please be careful as it is easy to lose money by buying paid media and not closely managing and measuring the process. Make sure you keep a tight control on any paid media campaigns that you are running to ensure there have not been any changes to key variables, like price and conversion rate, and that you are constantly generating a positive ROI.

Use the data and metrics that you are gathering to continually fine tune the user journey and conversion funnel, segment your potential customers, identify the most profitable segments and re-assess which channels are not performing or which channels could become positive ROI with changes to process.

thedigitalcompany can assist you to use paid media to drive scale and market share by purchasing clicks and leads from one of our online marketplaces. Click here to find out more.

SUMMARY

If you are serious about driving more customers to your business and maximising your return on investment (ROI), then you need to address the following recommendations outlined in this report:

- Calculate your current overall marketing ROI and the ROI per channel
- Only invest in channels that have a positive ROI
- Invest in all channels that have a positive ROI, not just those with the highest ROI – you should not be making a choice between channels with a positive ROI, you should invest in all of them
- Grow your customer base, while ensuring that the customer acquisition cost (CAC) is below the customer lifetime value (CLV)
- Understand the drivers of ROI to optimise ROI in all channels and convert negative ROI channels to positive
- Spend more in the highest ROI channels
- Target potential customers through their whole user journey and continually fill the funnel and nurture them along the path to purchase, as most people are not ready to buy right now
- Build your brand awareness and credibility to improve engagement and conversions
- Leverage owned and earned media to drive down the overall ROI and test and learn before spending on paid media channels
- Track and measure accurately so you can make good decisions
- Use paid media to drive scale and gain market share, but only once you have tested conversions and processes using owned and earned media

thedigitalcompany can assist you with driving more leads and customers to your business and maximising the returns from your marketing spend via listing your business for free or purchasing clicks and leads from one of our online marketplaces.

Click here to find out more.

ABOUT

thedigitalcompany builds and operates online marketplaces in multiple industries and countries.

We currently operate 27 online marketplaces across 9 industries and 4 countries including Australia, New Zealand, South Africa and Canada.

Our team is based in Sydney, Australia and Gdansk, Poland.

6.5 million visitors each year	**2.5 million+ leads** sent out each year	**900,000+ businesses** listed

Our Mission

- To assist the businesses listed on our websites to find more customers and grow their business.
- To make it quick and easy for our website visitors to find, compare and select products and services.

Our Online Marketplaces

Australia

[Accounting and Tax]
[Beauty and Wellness]
[Coaches]
[Driving Lessons]
[Health and Fitness]
[Home Improvements]
[Kids Activities]
[Party and Event Planning]
[Tutors]

New Zealand

[Accounting and Tax]
[Health and Fitness]
[Home Improvements]
[Kids Activities]
[Party and Event Planning]

Canada

[Accounting and Tax]
[Beauty and Wellness]
[Coaches]
[Driving Lessons]
[Health and Fitness]
[Home Improvements]
[Kids Activities]
[Party and Event Planning]
[Tutors]

South Africa

[Health and Fitness]
[Home Improvements]
[Kids Activities]
[Party and Event Planning]

To add your business to one of these websites or review our paid lead generation packages please go to the relevant website.

For more information - http://www.thedigitalcompany.com.au

GLOSSARY

Customer acquisition cost (CAC) – The cost to acquire each customer.

Customer lifetime value (CLV) – The estimated average future profit per customer.

Cost per booking (CPB) – Enables you to receive bookings direct to your business from online marketplaces and business booking websites, while only paying for the actual bookings received.

Cost per click (CPC) – Enables you to purchase clicks from search engines or social media platforms to your website.

Cost per lead (CPL) – Enables you to purchase leads from online marketplaces and business directory websites where potential customers have indicated that they are interested in a service and have added their responses to a series of questions to outline their requirements for the service.

Cost per impression (CPM) – Enables you to buy banner ads on websites and social media platforms. CPM stands for the cost per thousand impressions or views of your ad, and the higher the number of impressions delivered, the higher the media fees you will pay.

Conversion rate optimisation (CRO) – A mixture of design, usability, content and psychology that can be applied to any part of the user journey, with the objective of improving the conversion rate for any type of conversion metric.

Earned media – When customers, the public and the press voluntarily share your content and speak about and discuss your brand.

Negative ROI – The lower the number from your ROI calculation, the lower your ROI and the less efficient the marketing spend. If the percentage is negative, you are losing money on your marketing spend.

Owned media channels – When you leverage a channel that you create or control. This could be your website, YouTube channel, Facebook page or a business listing in a business directory.

Paid media – When you pay to leverage a third-party channel, such as paid search, advertising on social platforms, other websites or traditional media like TV, radio and print.

Positive ROI – The higher the number from your ROI calculation, the higher your ROI and the more efficient the marketing spend. This means you are making money.

Return on investment (ROI) – Measures how much value your business receives in return from the dollars and resources that you invest in your business.