

How to: Analyze the ROI of Your Marketing Channels and Plan Your Digital Strategy for 2015

You're planning your digital marketing budget for the new year, and expecting to increase your marketing spend. You want to use your budget in the most cost effective way. However, the sheer variety of potential advertising opportunities for splitting up your budget can be completely overwhelming.

You could:

- Invest the entire amount in a website content development program to improve your organic search results;
- Use the majority of your budget on PPC search campaigns on Google AdWords and Bing Ads;
- Split off some spend to run a Display and Remarketing effort via AdRoll or another Display Network;
- Develop an advertising partnership with an industry leading website, and run exclusive onsite ads and deals here;
- Hire a new social media manager to ramp up your presence on Twitter and Google Plus;
- Invest in Sponsored Posts on LinkedIn or Facebook;
- Pay to create video ads and run them on YouTube and/or Hulu;
- Reduce spend on digital and instead pay to create radio, newspaper and television ads to run in your top markets;

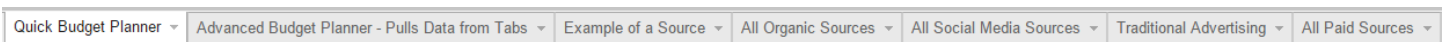
How do you decide on the best use of your marketing effort and spend? In this resource, we help you answer this question via a "Digital Strategy Planner and ROI Calculator" spreadsheet, *as shown on your right*.

This spreadsheet (*accessed via Google Sheets*) will streamline the calculation of your total ROI for each traffic source (a.k.a., "marketing channel"). This resource goes hand-in-hand with a methodology for determining the cost effectiveness for each channel, as described in the final section of this document.

This guide assumes you have some basic metrics on your various marketing channels, such as the "Spend" for each channel and your site "Conversion Rate". We also assume you have a basic knowledge of how to use spreadsheets. Contact us and we can help you along if you're not sure how to proceed.

Spreadsheet Structure

This spreadsheet contains over 20 tabs. *Here's a screenshot of the first seven tabs.*



There are two types of tabs:

"All Source Comparison" tabs

- There are two "All Source Comparison" tabs, providing two different options for breaking down traffic from all marketing channels.
- You can find these options on the first two tabs:
 - "Quick Budget Planner" (*Detailed in a full section below*)
 - As implied by the name, the tables on this tab offer a high-level analysis that assumes you already have good data on the ROI from each source.
 - Simply fill in the **yellow table cells** to compare the ROI for each channel.
 - "Advanced Budget Planner – Pulls Data from Tabs" (*Detailed in a full section below*)
 - The **blue table cells** on this tab will automatically update when you update the tabs for each "Source Analysis", as described next. You don't need to update this tab at all.

“Source Analysis” tabs

- All of the “Source Analysis” tabs are basically identical, other than the name of the source on the tab and in each cell describing the source. (*All detailed in a full section below*).
- There is a generic source example provided in the third tab in the spreadsheet, “*Example of a Source*”.
- We have provided a “Source Analysis” tab for 18 possible marketing channels, including four top-level “Round-up” tabs for “*All Organic Sources*”, “*All Social Media Sources*”, “*Traditional Advertising*”, and “*All Paid Sources*”.
- We then provide 14 additional tabs covering a wide variety of potential paid traffic sources.
- These tabs can easily be adapted to additional sources that we haven’t covered by changing the tab name and running a “Find-Replace” operation for a new source name.

Each tab (including both “All Source Comparison” and “Source Analysis” tabs) is divided into two sections, a “Post Campaign Analysis” and a “Pre-Campaign Analysis”. We’ll go into more detail on all these sections below.

Post Campaign Analysis

The top half of each tab contains a “*Post Campaign Analysis*” table. These tables give you the ability to analyze the cost-effectiveness of your marketing channels after you have completed a campaign (or mid-campaign).

Pre-Campaign Analysis

The bottom half of each tab contains a “*Pre-Campaign Analysis*” table. Use these tables to determine how you will split your marketing spend during the next budgeting period. The advantage of the “Pre-Campaign” analysis is that it allows you to enter a historic *Cost per Visit* and *Conversion Rate* for the channel to predict Conversions at higher rates of spend.

The “Post” and “Pre” sections of the “*Advanced Budget Planner*” tab will automatically update depending on which section of the “Source Analysis” tabs you fill out. I.e., if you complete the Post Campaign section on the source tabs, you’ll find the “Post Campaign” section of the “*Advanced Budget Planner*” tab has also been updated. You can run either of these analyses for a single source, or for all of your channels to compare results.

As mentioned above, there are two tabs for breaking down traffic from All Sources. We’ll start with the simple method, and move into the deeper analysis from there.

“Quick Budget Planner”

The first tab in our spreadsheet is called “*Quick Budget Planner*”. *You can see a screenshot of the “Post Campaign” section for this tab below.* As you can see, if you enter your Spend, Leads, Revenue per Sale, No. of Sales, and Other Marketing Costs in the **yellow table cells** able provides two quick calculations of your “Leads to Sales %” and your “ROI from Channel” for each channel. You can use this to easily compare the ROI across all your channels. However, this is a top-level analysis and you need a lot of data on-hand before you can fill out the table.

Post Campaign Analysis - Quick Budget Planner

Monthly							
Source	Spend	Leads	Avg Revenue Per Sale	No. of Sales	Other Marketing Costs	Leads to Sales %	ROI from Channel
Totals for All Traffic Sources (a.k.a., All Channels):	\$0.00	0	#DIV/0!	0	\$0.00		\$0.00
All Organic Sources						#DIV/0!	\$0.00
All Social Media Sources						#DIV/0!	\$0.00
Traditional Advertising						#DIV/0!	\$0.00
All Paid Sources						#DIV/0!	\$0.00
Paid Source Breakdown	Spend	Leads	Avg Revenue Per Sale	No. of Sales	Other Marketing Costs	Leads to Sales %	ROI from Channel
Google AdWords - Search						#DIV/0!	\$0.00
Google AdWords - Display						#DIV/0!	\$0.00
Google Product Feeds (i.e., Google Merchant Center)						#DIV/0!	\$0.00
Bing Ads						#DIV/0!	\$0.00
LinkedIn Ads						#DIV/0!	\$0.00
LinkedIn Sponsored Stories						#DIV/0!	\$0.00
Facebook Ads						#DIV/0!	\$0.00
Facebook Sponsored Posts						#DIV/0!	\$0.00
AdRoll Display						#DIV/0!	\$0.00
Amazon Mobile Display						#DIV/0!	\$0.00
Amazon Product Feeds						#DIV/0!	\$0.00
Other Display Efforts						#DIV/0!	\$0.00
Other Remarketing Efforts						#DIV/0!	\$0.00
Other PPC						#DIV/0!	\$0.00
Paid Totals (This should match the “All Paid Sources” totals above)	\$0.00	0	#DIV/0!	0	\$0.00	#DIV/0!	#DIV/0!

“Advanced Budget Planner – Pulls Data from Tabs”

The second tab in our planning spreadsheet is called, “Advanced Budget Planner – Pulls Data from Tabs”. *You can see a full screenshot of this tab below.* As you can see, this table doesn’t require you to fill in any data at all.

The **dark teal table cells** at the top calculate your totals across all channels. The **blue table cells** will automatically update as you update each “Source Analysis” tab.

Simply go through the “Source Analysis” tabs for each of your sources, and this table will automatically update with the numbers you need to compare ROI across each source. If you want to track a source that isn’t provided, just update the name of the tab and corresponding field on this table. You can easily breakdown Social, Organic, Traditional, or other sources following the same methodology as the Paid Sources breakdown.

We hope that the fields on these tables are fairly self-explanatory. However, in case you need assistance, we’ve included some comments in column “H” to help you along. If you’re still confused, you should probably contact us.

Post Campaign Analysis - Pulls Data from Proceeding Source Tabs					
Monthly					
Source	Spend	Leads	Sales	Leads to Sales %	ROI from Channel
Totals for All Traffic Sources (a.k.a., All Channels):	\$0.00	0	0	#DIV/0!	\$0.00
All Organic Sources			0	#DIV/0!	\$0.00
All Social Media Sources			0	#DIV/0!	\$0.00
Traditional Advertising			0	#DIV/0!	\$0.00
All Paid Sources			0	#DIV/0!	\$0.00
Paid Source Breakdown	Spend	Leads	Sales	Leads to Sales %	ROI from Channel
Google AdWords - Search			0	#DIV/0!	\$0.00
Google AdWords - Display			0	#DIV/0!	\$0.00
Google Product Feeds (i.e., Google Merchant Center)			0	#DIV/0!	\$0.00
Bing Ads			0	#DIV/0!	\$0.00
LinkedIn Ads			0	#DIV/0!	\$0.00
LinkedIn Sponsored Stories			0	#DIV/0!	\$0.00
Facebook Ads			0	#DIV/0!	\$0.00
Facebook Sponsored Posts			0	#DIV/0!	\$0.00
AdRoll Display			0	#DIV/0!	\$0.00
Amazon Mobile Display			0	#DIV/0!	\$0.00
Amazon Product Feeds			0	#DIV/0!	\$0.00
Other Display Efforts			0	#DIV/0!	\$0.00
Other Remarketing Efforts			0	#DIV/0!	\$0.00
Other PPC			0	#DIV/0!	\$0.00
Paid Totals (This should match the "All Paid Sources" totals above)	\$0.00	0	0	#DIV/0!	\$0.00
Pre-Campaign Analysis - Pulls Data from Proceeding Source Tabs					
Monthly					
Source	Budget	Expected Leads	Expected Sales	Leads to Sales %	Predicted ROI from Channel
Predicted Totals for All Traffic Sources (a.k.a., All Channels):	\$0.00	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
All Organic Sources		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
All Social Media Sources		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Traditional Advertising		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
All Paid Sources		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Paid Breakdown	Budget	Expected Leads	Expected Sales	Leads to Sales %	Predicted ROI from Channel
Google AdWords - Search		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Google AdWords - Display		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Google Product Feeds (i.e., Google Merchant Center)		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Bing Ads		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
LinkedIn Ads		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
LinkedIn Sponsored Stories		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Facebook Ads		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Facebook Sponsored Posts		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
AdRoll Display		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Amazon Mobile Display		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Amazon Product Feeds		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Other Display Efforts		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Other Remarketing Efforts		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Other PPC		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Paid Totals (This should match the "All Paid Sources" totals above)	\$0.00	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

“Source Analysis” Tabs

As mentioned above, each “Source Analysis” tab is identical, other than the name of the “source” (a.k.a., channel). *We’ve provided a screenshot of the “Example of a Source” tab below.* In this example, the channel is called “this Source”.

To update a source, scroll over to the tab with the name that matches the source you want to track. Fill in the **yellow table cells** to calculate out the metrics required to determine the ROI for the channel.

The total ROI for the channel is provided in the **dark green box** in the top right hand corner of each “Post Campaign” and “Pre-Campaign”

Post Campaign Analysis		Need Help? Expand the Hidden Columns "C" and "F" for Tips, Examples, and Information on How the Fields Are Calculated	
Monthly Per Source			
Variables You Can Edit	\$, # or %	Automatically Calculated	\$, # or %
How Much Did You SPEND for this Source?	\$10,000.00	Total Revenue Minus Advertising Cost (ROI):	\$ 13,000.00
How Many VISITS Came from this Source?	1000	Cost Per Visit / Click (CPC):	\$10.00
How Many LEADS Came from this Source?	50	Cost Per Lead Acquisition (CPA):	\$200.00
What OTHER MARKETING COSTS Do You Have for this Source?	\$2,000.00		
How Much REVENUE Is Generated from an AVERAGE SALE?	\$1,000.00	INCOME from this Source:	\$25,000.00
What is the LEADS TO SALES RATE?	50%	NUMBER OF SALES from this Source:	25
Yearly for this Source			
Variables You Can Edit	\$, # or %	Automatically Calculated	\$, # or %
Total Yearly Spend:	\$120,000.00	Yearly Revenue Minus Advertising Cost at This Rate (Annual ROI):	\$156,000.00
Pre-Campaign Analysis			
Monthly Per Source			
Variables You Can Edit	\$, # or %	Automatically Calculated	\$, # or %
How Much Do You Want to SPEND for this Source? (MONTHLY BUDGET)	\$1,000.00	Total Expected Revenue Minus Advertising Cost (EXPECTED ROI):	\$ 48,000.00
How Much Did You Historically Spend Per Visit? (COST PER VISIT or CPC)	\$1	Expected VISITS:	1,000
What Is Your Visit to Conversion Rate? (CONVERSION RATE)	10%	Expected LEAD CONVERSIONS:	100
		Expected Cost Per Lead Acquisition (CPA):	
What OTHER MARKETING COSTS Do You Have for this Source?	\$1,000.00		
How Much REVENUE Is Generated from an AVERAGE SALE?	\$1,000.00	Expected INCOME from this Source:	\$50,000.00
What is the LEADS TO SALES RATE?	50%	Expected NUMBER OF SALES from this Source:	50
Yearly for this Source			
Variables You Can Edit	\$, # or %	Automatically Calculated	\$, # or %
Total Yearly Spend:	\$12,000.00	Expected Yearly Revenue at This Rate:	\$576,000.00

As you will see, there are explanations, tips, examples, and information on the calculations of the formulas provided in hidden columns “C” and “F”.

As you fill in this data, be sure to note the secondary costs associated with each marketing channel. For instance, there is no “advertising spend” associated with a social media program, but there is a time and staffing requirement, which both cost money. You can attempt to quantify this type of additional “spend” in the “OTHER MARKETING COSTS” fields (B8 and B28) on the Source Analysis tabs. You can also use this to add in monthly marketing agency fees.

If you don’t have a specific “REVENUE Generated from an AVERAGE SALE” for each channel, this cell should be filled in with the average amount of revenue generated by each sale across all channels.

Great, Now How Do I Use This to Plan for the New Year?

These spreadsheets offer a way to analyze the past performance of each channel and to predict the future performance based on the past. However, you still need to make the final budget allocation decisions.

Here are the next steps you should follow after comparing the ROI for each channel:

- Decrease the budget on channels with negative ROIs.
- Increase the budget on channels with positive ROI.
- Diversify spend on the most profitable top-level channel. I.e., if “Paid Sources” is your most valuable channel, add additional paid networks to the mix. If you need ideas for new networks, review the possible sources provided on the tabs of our planning spreadsheet.
- Pay close attention to Conversion Rates and Lead-to-Sale Rates for each channel. Increase the budget on channels with high percentages in these two metrics, even if the overall ROI contribution was low in terms of volume. This is a great way to identify the next channel to expand.
- If you aren’t seeing positive ROI anywhere, it’s time to experiment with new channels you haven’t tried before.
- Improving your website content will help out your leads and sales across all channels. If you’re struggling to move a source into positive ROI, pause that source and focus on site content for six months.

What Else Should I Be Considering? What If I Need Help?

The items covered by this spreadsheet and discussed above are only a small portion of the things you need to consider when trying to set an effective and comprehensive budget for your digital marketing campaigns.

We’ll wrap up this guide with a list of some of the other questions you should try to answer when setting budgets for each source:

- Is this source already getting as much spend as it can handle?
- How should you expect ROI to diminish on each channel as you invest more?
- Do you have a comprehensive Analytics and Goal Conversion Tracking program?
- What new advertising networks are currently generating the best ROI?
- How do potential new traffic sources work for your specific industry?

Online marketing is complicated! If you’re still lost or you’re not sure what we’re talking about with the above questions, or if you just need help, reach out to us today at <http://strongpages.com/contact/> for a free consultation on your digital marketing program.

In our next guide, we’ll spend some more time on goal and event tracking.

About Strongpages

Strongpages is a leading digital marketing agency with a deep history of developing digital strategy and managing successful online marketing programs. Strongpages has generated significant results for our client’s brands – ranging from startups to the world’s largest retailers. We’re dedicated to helping businesses of all kinds leverage this mission-critical channel to fuel their business in the digital age.

Our expert resources represent leaders in strategy, search technology and online marketing, combined with hands-on leadership expertise that helps translate program data into actionable business intelligence. This unique combination gives clients unparalleled results – improving targeted, qualified lead flow to your sales funnel and driving immediate deal opportunities and revenue growth.

Learn more at <http://strongpages.com>.