

The Complete Guide to Nail Marketing Budgets

With current geopolitical and economic uncertainty, making the right budget decisions becomes a matter of survival.

In this eBook, we shared with you how to allocate and optimize marketing budgets and what is needed to run cost-effective campaigns.

- ✓ **Allocate** your budgets according to business needs
- ✓ **Measure** correct results and increase Marketing ROI
- ✓ **Know** where to cut and where to spend more



How to Allocate Budgets to the Right Channels? How to Know Which Activities Really Maximize Profit? And Where to Even Start?

The state of Marketing in 2022 has been wonky to say the least. New tracking regulation updates popping up every few months make Marketer's lives harder, data pools smaller and consent concerns bigger. With 3rd party cookies going away in 2024 and privacy-friendliness moving up the priority list it becomes **increasingly difficult to manage and optimize marketing budgets.**

Starting at the bottom of the funnel, shrinking capabilities for cross-device retargeting and behavioral targeting on ad platforms force marketers to lean into new tactics and test new strategies. Budgets are being shifted towards upper funnel and branding activities.

Wrapped in the context of the economic and geopolitical uncertainties all industries are affected by decreasing marketing budgets making cost-effective marketing activities an absolute necessity to remain competitive. After all, **being successful in marketing depends not on how much you have to spend but how you spend it.**

In this ebook you will learn:

- ✔ **How** to allocate your budget according to your business needs
- ✔ **Where** to cut and where to spend more for optimal results
- ✔ **What** to take care of to measure the correct ROI

EBOOK
The Complete Guide to Nail
Marketing Budget Allocation

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Allocate Budgets According to Goals - Costs Are Your Friends!

How to allocate Budgets to the right channels creating a unique marketing mix that will help your business to maximize its profit? And where to even start?

While it's important to keep an eye on what your competitors do and how your industry develops overall we highly recommend not to set your budget simply based on benchmarks and averages. Instead, consider your specific business strategy - be it growth, retention, brand building, or any other direction. **Work out your budget based on your goals** - this is the only way to achieve them.

Let's imagine your business goal is the growth of 10% in revenue in 2023. In order to achieve this, you need to allocate enough resources to cover the cost it will take to grow the 10%. Specifically, you need to break the desired amount of revenue into the number of sales using your average order value.

Next, **multiply the number of sales by the acquisition cost** you expect (factor in inflation, etc) and you will roughly come up with the budget you need to allocate.

This example shows how this budget calculation is extremely specific to your business because it considers your unique cost structure, product prices, etc. Clearly looking at benchmarks or competitors is a useful first indicator but it might lead you to absolutely **wrong calculations** and expectations if you fail to consider your costs.

To do this you should **work backwards** from your revenue goal and calculate the spend required to meet these goals given your specific acquisition cost.



Collect And Analyze Your Results Correctly

Once you have calculated your initial budget or received it top down because it was allocated for you - you need to make sure that you know the exact outcome of the activities you spend it on. It's as simple as that - if you don't measure your results correctly you will make **suboptimal decisions** on budget allocation, regardless of how refined your strategy is.

While marketers tend to worry about cookie deprecation they often don't realize that cookies were an unstable tracking vehicle all along. They are not persistent being subject to deletion and not unique being tied to devices instead of individuals.

Further, the majority of marketers is not aware of the **detrimental flaws in their reports due to last-click** and other static attribution models. Last-click is a default setting in all reports on platforms such as google analytics or reporting features of ad platforms.

This methodology attributes full credit for a conversion to the last touch-point in the customer journey - regardless of how many touch-points took place before. **This leads to biased reports** always showing results in favor of typical "closing" activities

such as retargeting and branded google ads and neglects the impact of "preparing" activities such as branded social ad impressions or even TV.

Clearly, **wrong results in your reports will lead to suboptimal budget decisions**, less revenue, and smaller ROI - leaving more opportunities for competitors to take over.

On the flipside, a data driven attribution set up gives a weighted fraction of credit to all touch-points depending on how much they contributed to a conversion. This enables you to make truly evidence-based budget decisions and **shift your spend always towards winning activities** while cutting down the unprofitable campaigns.

A dynamic data-driven measurement of your results can be performed with machine learning. It will **recognize patterns in even huge amounts of data** while providing you with smart recommendations on which channels and campaigns have contributed more or less to revenue and even how they will develop in the future.

Last-Click Errors

Channels Favoured by Last-Click

- > Paid search campaigns including brand and shopping
- > Prior add-to-basket events
- > Retargeting display ads
- > Affiliate partners

Channels Neglected by Last-Click

- > Social media ads on Facebook, IG and TikTok
- > Organic search (non-brand)
- > Organic social media
- > Branding activities
- > Out of Home

Know Where to Spend

The exciting part of marketing budget optimization is surely identifying the activities where you should invest more. Here is a list of what to do to shift your budget towards campaigns and channels which will increase revenue and improve ROI:

- 1** Analyse converting and non-converting customer journeys and see which **touch-points increase the conversion probability**. This should be done with a measurement model that runs with machine learning and recalculates the weights each touch-point receives, regularly. This is the only way to stay up to date with changes in the market, consumer behavior and other external and internal shifts.
- 2** Once you've identified touch-points that increase the probability of a customer converting, **shift your budget towards those "preparing" channels**, typically they will be part of social media or other middle or top of funnel activities.
- 3** **Avoid** making this decision based on **last-click attribution**. It will cost you a lot of your budget being spent on "closing" touch-points such as branded search which probably would have worked even with less budget put towards them.
- 4** Don't underestimate your brand. With the right tracking set up you can measure how your brand activities are performing. This will give you the confidence to not only **invest more in branding** but as well know which of the activities really increase revenue.
- 5** Don't forget about anchor activities which your touch-points depend on - things like content creation, community management, video and photo production, etc. A reasonable amount of your budget should go into activation and refreshing of the channels and campaigns you identified as benefiting. **Just a simple budget increase will quickly dry out** your funnel because a saturation effect will take place.

Allocate Budgets to Preparing Channels

Our customer Pixum gains a significant advantage in the evaluation and control of campaigns and budget allocation. Pixum found out that >90% of their customer journeys consisted of more than two touch-points. This gave Pixum the confidence to shift budget towards preparing touchpoints and increasing revenue.



[Read Case Study](#)

*"From my perspective, my hopes and assumptions have been confirmed. The combination of both technologies gives our marketing team a **significant advantage** in the evaluation and control of campaigns and budget allocation."*

Björn Prickartz
Head of Webanalytics & Conversions
@Pixum

CASE
STUDY

Know Where To Cut

Similarly to increasing budgets it's equally important to know where to cut them to save resources for the best activities. Follow these recommendations to identify unprofitable campaigns and channels and decrease spend where it would be wasted.

1 Consider your costs when evaluating ROAS. Don't simply look for ROAS to be above 1 - this doesn't mean you're profitable. Calculate your **break-even ROAS** by factoring in your net profit margin and your production cost - this will in most cases land you somewhere between a ROAS of 1,3 - 1,8 which you need to achieve to call a campaign or channel profitable.

→ **Remove budgets from channels that are below your break-even ROAS, unless those channels typically prepare the conversion in another channel.**

2 If your goal is to run profitable marketing campaigns, calculate the maximum Cost per Conversion (or **Cost per Acquisition**) that you can afford and don't go above this cost in any campaign or channel.

→ **Decrease spend in campaigns with higher CPA and shift your budget towards campaigns or channels with lower CPA.**

3 Do the cutting and budget shifting regularly - ideally you should track your CPA and ROAS on a weekly basis and shift budgets at least monthly better yet bi-weekly according to the recommendations in points 1. and 2.

→ **Reallocate your budget every 2-4 weeks.**

4 Don't fall for sunk cost fallacy - a concept well known and thought in academia but often forgotten in the day-to-day business. Only because you may have spent a significant amount on a channel or campaign already doesn't mean spending more will increase the odds for it to work better. Rely on an evidence-based rational instead of your gut feeling.

→ **Stop wasting money on channels only for the sake of keeping them running.**

Outbid Competition with Data-Driven Attribution

With Adtriba's machine learning set up awork was equipped to answer their business questions knowing exactly how much they spend on customer acquisition, which channels are driving the app sign ups and on which campaigns to increase or decrease their bidding.



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*"We could raise our bids and **outbid the competition** in the important placements while saving our resources on campaigns that don't contribute as much."*

Tobias Hagenau
Co-Founder & CEO
@awork

CASE STUDY

Marketing Metrics Cheat Sheet

When planning and optimizing budgets in Marketing you will for sure be lost without numbers to evaluate. Marketing is well known for its **huge amount of metrics** to look at - luckily not all of them are relevant to your resource planning. Use the cheat sheet below to remember which KPIs to look at when you allocate your spends.

KPI	CALCULATION	USAGE
Cost-per-Acquisition CPA	Total spend in a channel / number of all conversions in that channel = channel CPA	Consider the cost at which you acquire customers to decide where to shift budgets to maximize overall return while remaining cost-effective. → Move spend towards channels with lower CPA.
Average Order Value AOV	Total revenue / number of all conversions = AOV	If you struggle to acquire customers cost-effectively and your CPA is high try to bring customers to spend more. → Shift budget towards channels or campaigns with higher AOV.
Baseline	Overall sales - incremental sales = baseline	Your marketing baseline contains sales that are not directly attributed to a specific marketing activity and are a result of ongoing brand building. With an increasing baseline you will know that your branding is actually working. → Check your baseline, when it drops you become more dependent on performance activities - a budget shift towards branding may be necessary.

KPI	CALCULATION	USAGE
Incremental Sales	Overall sales - baseline = incremental sales	On the flipside of the marketing baseline are the incremental sales. This part of your marketing revenue can be directly attributed to a campaign or channel that runs marketing activities. → Plan how much you spend on performance channels with an overall balance of baseline and incremental sales in mind. Otherwise, you risk becoming dangerously dependent on ads.
Customer Lifetime Value CLV	AOV * avg. number of times a customer buys from you in a year * avg. customer lifespan = CLV	When using acquisition cost to optimize budget allocation it's important to have a clear sense of how much a customer will spend with your company in the future, once acquired at a certain price. → Tolerate higher CPA in a channel as long as your CLV for customers coming from that channel is relatively high.

Need Help with Measuring These Metrics?

[Schedule Call](#)



Measurement Set Up for Optimal Budget Allocation

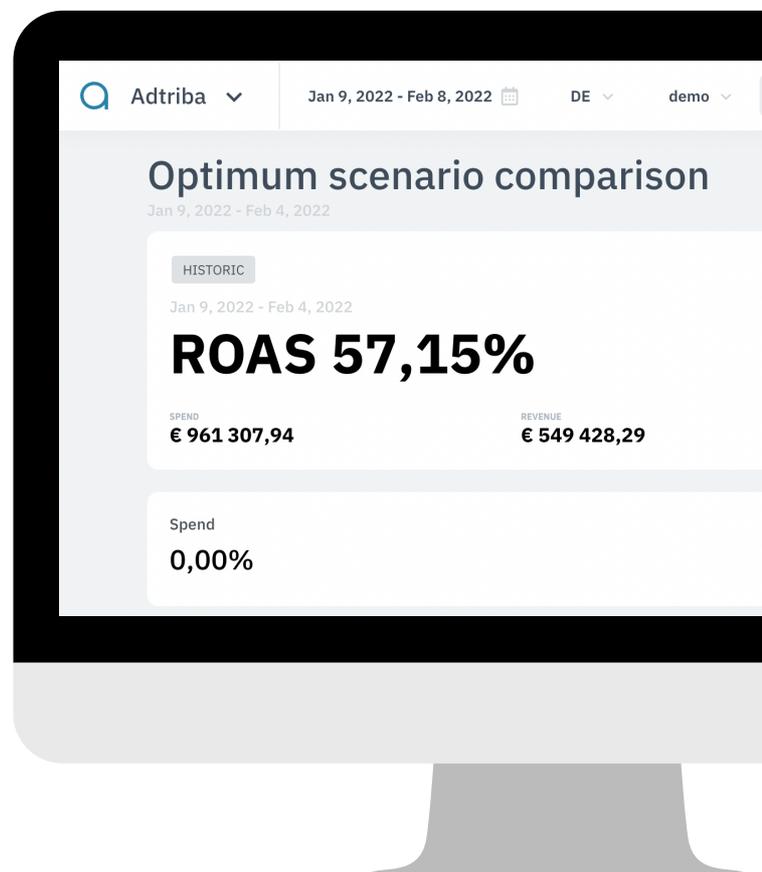
Your budget allocation will remain suboptimal as long as you rely on your gut feeling. Successful budget allocation doesn't have to be overly complex and it's totally fine to rely on a small number of rules to operate cost-effectively.

However, this can only be done if the results coming from your marketing efforts are **measured correctly**. Can you completely rely on the numbers you currently use to evaluate your marketing activities? Do you trust reports from platforms that have a huge interest in **keeping you spending more** and more budget with them?

Given the **current tracking regulations**, the sunset of 3rd party cookies measurement in marketing has become more difficult. Correct attribution of your marketing results and a precise understanding of converting customer journeys however, has been always a challenge even back in early AdTech days, when tracking seemed to be perfectly flawless.

No amount of data-points and tracking transparency will help if you keep analyzing reports based on last-click or other static models.

A **data-driven attribution set up** that uses machine learning to recognize patterns and even predict next actions is the way to go if you want to trust your reports.



Measurement Set Up

5 Steps to Take

This is how a data-driven measurement set up works to enable you to make the most of your marketing budgets in only 5 steps:

- 1** → **Collect** data from the different channels you operate, both online and offline using UTM-tracking.
- 2** → **Combine** the data into one integrated view, where you deduplicate results and have a view of all activities in context instead of single platform reports spread across multiple tools.
- 3** → **Use** a data-driven attribution vendor to evaluate the results, analyze patterns and let machine learning do the heavy lifting calculations for you.
- 4** → **Understand** which touch-points, channels and campaigns increase the probability for a customer to convert.
- 5** → **Allocate** resources in the form of budget and manpower to those high-probability touchpoints to maximize your revenue.

At Adtriba we help you do exactly this - connect siloed data, know your exact performance, reduce cost and increase revenue. With a data-driven attribution system in place, you are able to know exactly how your online and offline campaigns are performing. Having this figured out an efficient budget management is an easy task to perform.

Don't Forget to Test

For advanced and effective budget management you should keep a fair amount of your budget reserved for testing. Be it trying a completely new channel or tweaking creatives and messaging for a proven source - you should **test any hypothesis with smaller budgets** first before you put a big bet on it.

Algorithms in performance channels optimize the delivery of ads to a target audience for a desired outcome - be it web visits, conversion or any other goal. These algorithms usually take a few days to find out who on the target audience pool responds in best to your campaign. During this time your **ads are delivered to a subset of the targeting pool** and only in a next step will your ads be displayed to a bigger audience.

Why set aside a separate testing budget if ad platforms do their own testing? Imagine the following: You exchange the copy on an already well-performing ad, the algorithm will go back into "testing" the update. It will take some time to find out who resonated with the new message and roll it out to the full audience days later... Only for you to find out that **the old messaging delivered better results!** So you go back to the initial campaign content and wait another few days for it to be rolled back out to the full audience...

This "shortcut" of not testing upfront will certainly have cost you a huge amount of budget and multiple days of **opportunities left on the table** for your competitors to jump at. See below for an ideal framework for your campaign and how testing will fit into your budget allocation:

Always On Campaigns → Biggest part of your budget sits there and helps build both your baseline with always-on branding and your incremental sales with always-on performance activities.

Special Offer Campaigns → Launching new products or running seasonal deals are activities that run only for a certain time frame. They should cover a fair amount of your budget depending on your expected outcome and will run on top of the always-on campaigns.

Testing Campaigns → Any new ideas which are more than a simple variation of your successfully running campaigns should be tested out first. A small but consistent portion of your budget should help you test things with a smaller audience, a fraction of the people you would usually address with always-on or special interest campaigns.

Ebook Recap

Allocate Budget According to Business Goals

- **Focus** on your goals instead of benchmarks
- **Balance** between brand and performance

Cut and Reallocate for Optimal Results

- **Keep** customer acquisition cost below break-even
- **Shift** budgets regularly to channels and campaigns with lower acquisition cost
- **Cut** unprofitable campaigns even though they might have been a good idea
- **Allocate** resource to touch-points and channels which increase probability for conversion

Take Care of Measurement for Correct ROI

- **Track** all customer journeys converting & non-converting
- **Combine** all results into one integrated view instead of single tool reports
- **Apply** data-driven attribution to understand which touch-points increase the probability for conversion

You Struggle to Optimize Marketing Budgets? We're Here to Help!
Schedule a Free Consultation with Our Data Experts.

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EBOOK

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Conclusion

Effective use of marketing budgets is far from trivial. But it doesn't have to be overly complicated either. In fact, it may become **one of the easiest parts of your marketing optimization** once you cover the necessary measurement.

In this eBook, we shared with you how to allocate and optimize marketing budgets and what is needed to run **cost-effective campaigns**. Those principles are best practices throughout many industries.

Regardless of your particular business case you need to make sure that you measure the results coming from your investment correctly. Otherwise, applying budget allocation principles will never lead you to an optimal allocation to maximize revenue and improve ROI.

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Adtriba

Adtriba is continuously developing their marketing measurement solution. By addressing challenges such as 3rd party cookie deprecation, privacy regulations or advertising platform bias - Adtriba provides marketers from various industries with actionable insights for evidence-based decisions.

With the help of machine learning and data-driven attribution Adtriba's **customers know exactly how their marketing channels perform and what to do to improve.**

Want to see Adtriba in action? We're happy to connect you with one of our marketing and data experts.

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