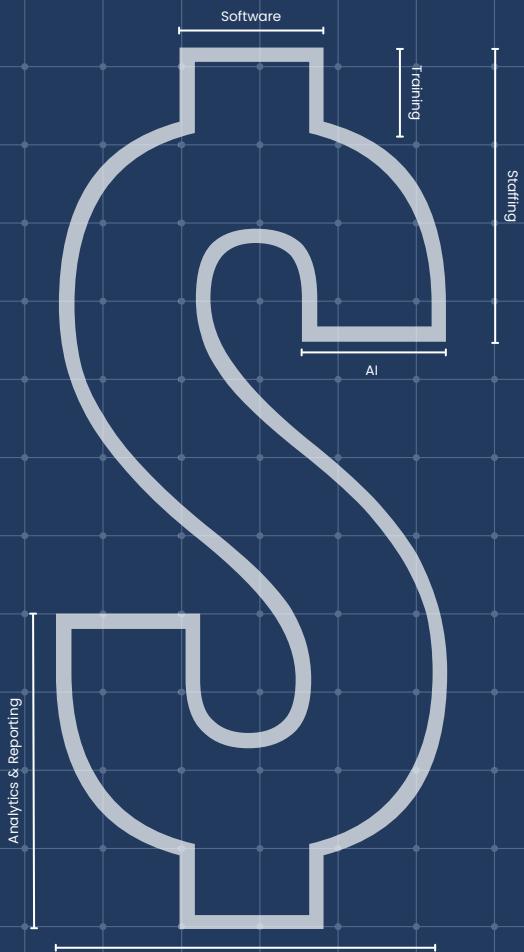


Digital Marketing Budget Blueprint

2024

Workshop Digital

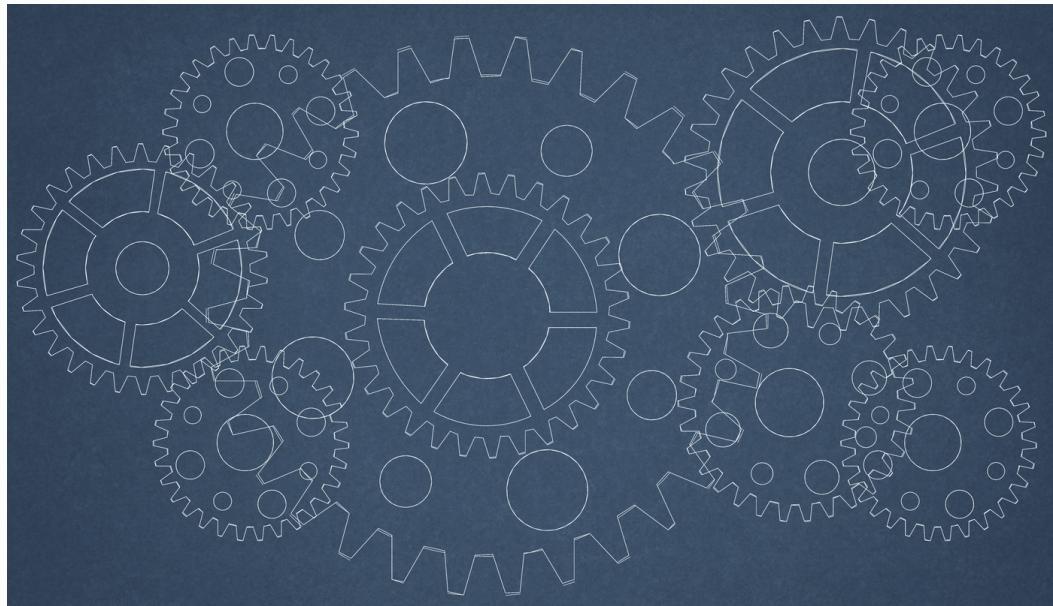


I Plans for building a successful marketing budget in 2024

I www.workshopdigital.com



WHERE TO START



How do you know how much you need to spend to reach your marketing goals? Are your aspirations just too big for your budget? How do you include new technology like AI in your marketing budget? What are the right formulas to help you win buy-in and show success within your organization?

Defining the right marketing strategy can be difficult in this era of evolving technology, increasing limitations due to privacy concerns, and rapidly-changing economic climates. To make this exercise a little easier, this Digital Marketing Budget Blueprint includes experiences with clients, some tried-and-true formulas, and the latest input from the CMO survey to help you optimize your budget to generate revenue and grow your business.



Our focus will be on asking the right questions and using data so you can understand what makes a good budget for digital marketing in 2024. The first step in figuring out a marketing budget? Understanding the importance of budgets in the first place and knowing which metrics matter.

DIGITAL MARKETING: BUDGETING FOR 2024

What's A Marketing Budget Include In 2024?

Of course, budgeting varies based on the size and longevity of your company. However, it matters just the same. Budgets create discipline across your marketing department, and you want to ensure you can measure results and hold your organization accountable.

Well-founded budgets also allow your organization to take advantage of new opportunities by remaining flexible, while providing you with some direction. And they prioritize how to allocate your marketing expenses.

To start with a budget projection, the first thing you must do is understand which metrics matter. Your goals may include increased online sales, improved lead generation, or any number of things. But you must understand how to measure them. Then, you must know how to gather data to make more informed projections about driving the most impact for your business.

Marketing Budgeting Breakdown

One common mistake we see at this stage is that teams forget to include all their costs in the mix. The all-in cost of a marketing strategy must encompass things that many may not normally consider a marketing expense, including:

- Training for your team
- Software to run campaigns
- Staffing and hiring
- Building out your marketing team
- Partnering with agencies or consultants to extend your workforce
- Ad spend

THE 3 TYPES OF METRICS

Once you consider your costs, it's time to consider what matters the most to your team. In a perfect world, you'll measure and optimize for internal conversions and revenue based on metrics that grow your bottom line.

1. Conversion & Revenue

When approaching conversion and revenue data, we're typically talking in terms of cost per acquisition—or, the amount of money it takes for you to acquire a customer. This metric helps identify how much you need to spend to gain one new customer, lead, or online sale. You know, the important things.

If you can, it's also important to dig a little deeper and uncover customer lifetime value (CLV)—or, the prediction of profit as it pertains to the entire sales life cycle of a customer. And finally, it's important to determine return on investment (ROI) and return on ad spend (ROAS) to fully understand how well your marketing program is working.

2. Historical Data & Trends

Historical trends influence marketing forecasting. You can inform your decisions based on what's happened in previous years and factor in the impact of seasonality or other significant changes that you predict will happen again. This may include:

- Sales or promotions
- New website launches that could impact performance
- New campaigns in the marketplace that could drive different results or different customers into your funnel

3. Industry & Competition

Finally, it's important to consider external factors when constructing strategies, including industry-specific research or benchmarks from trade groups, associations, or publications. It also involves macroeconomic factors such as a recession or spike in the economy.

While it's important to be wary of external factors, they should not completely dictate your budgets. You want to get as close to revenue as possible. And your forecast should aim to predict what's going to happen to your business—not what's going to happen to the marketplace.

Ultimately, a smart marketing budget is flexible and elastic. You want to be able to take advantage of opportunities as they arise and when you identify new opportunities.

CMO TOOL KIT: FORMULAS FOR SUCCESS

Certain formulas can provide a foundational understanding of how your marketing translates into tangible results. Here are some we find helpful.

$$\text{CLV} = \frac{\text{Average Purchase Volume}}{\text{Purchase Frequency}} \times \frac{\text{Average Customer Lifespan}}$$

Customer Lifetime Value: CPA helps determine the effectiveness of your marketing campaign in terms of acquiring new customers. By understanding the cost to acquire a single customer, you can better gauge the efficiency of your ad spend.

$$\text{CAC} = \frac{\text{Total Cost of Sales & Marketing}}{\text{Number of New Customers Acquired}}$$

Customer Acquisition Cost: CAC is the cost associated with convincing a customer to buy a product/service. A lower CAC indicates a more efficient process of acquiring customers, which is essential for achieving a good ROI.

$$\text{M\%}-\text{CAC} = \frac{\text{Marketing Cost}}{\text{Number of New Customers}} \times 100\%$$

Marketing Percentage of Customer Acquisition Cost: This formula helps you understand what portion of your CAC is due to your marketing efforts.

$$\text{ROAS} = \frac{\text{Revenue from Ad Campaign}}{\text{Cost of Ad Campaign}}$$

Return On Ad Spend: ROAS measures the revenue generated for every dollar spent on advertising. It shows the direct impact of your advertising efforts. A ROAS of 4, for instance, means that for every ad dollar spent, you earn four dollars in revenue.

$$\text{ROMI} = \frac{(\text{Gross Profit from Marketing} - \text{Marketing Investment})}{\text{Marketing Investment}} \times 100\%$$

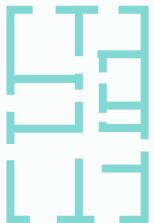
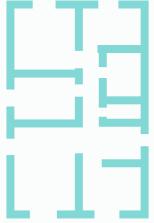
Return on Marketing Investment: ROMI provides a broader view than ROAS, as it considers all marketing investments, not just advertising. It helps businesses measure the effectiveness of their marketing campaigns relative to their costs.

4 STEPS FOR DEFINING YOUR BUDGET IN 2024

Calculating a good marketing budget should include historical data, company objectives, strategic priorities, and economic realities. You can start with a percent of revenue or a standard increase over the previous year or start at zero and add up your planned costs.

There is no right or wrong answer. And there certainly isn't an Excel function that spits out an optimal digital marketing budget recommendation. It takes some hard work and a little creative thinking, but companies that start the year with a well-informed plan are more likely to accomplish their goals.

This marketing budget blueprint includes the four-step process that we use to help our clients forecast, request, refine, and implement their 2023 digital marketing budgets:

**1**

FORECASTING YOUR BUDGET

How to project your costs and the importance of understanding which metrics matter.

2

REQUESTING YOUR BUDGET

Presenting your budgets to stakeholders and using data to get them approved.

3

REFINING AND RECEIVING YOUR BUDGET

Common decision-making and approval processes. And it discusses how to set the right expectations.

4

QUESTIONS ABOUT DIGITAL MARKETING BUDGETS

FAQs based on feedback from Workshop Digital clients.

1. FORECASTING YOUR BUDGETS



Budgeting differs between small and large companies and newer and established ones—but they are equally important. Budgets create discipline and accountability across your marketing department. Somebody is responsible for money going out the door. And you want to ensure you can measure results and hold your organization accountable.

Well-established budgets also provide guardrails. They enable marketers to take advantage of new opportunities by remaining flexible while providing you with some direction. They give you some sense of prioritization on how you're allocating your expenses.

1. FORECASTING YOUR BUDGETS

Which Metrics Are You Tracking?

To start with a budget projection or forecasting exercise, the first thing you must do is understand which metrics matter. These measurements are based on your business objectives, therefore you must understand your goals. They may center on online sales, lead generation, or a combination of the two. You have to understand how to measure them. Then, you have to know how to gather data to make a more informed projection about how you can allocate your dollars next year to drive the biggest impact.

Incorporating All Your Costs

One mistake that we often see at this stage is when teams forget to incorporate all of their costs into the mix. Considering the all-in cost of a marketing strategy includes things that you may not normally think of as a marketing expense, including:

- **Training & development**
- **Software & Marketing Technology (MarTech)**
- **Staffing & hiring**
- **Agency or consultant partnerships**
- **Ad spend**

Ad spend is often the most common expense in a marketing or advertising budget—so you need to make sure you’re considering the analytics and testing tools you’re using to measure and optimize your campaigns.

Once you consider all costs, it’s time to consider what you’re measuring. Ideally, you should measure and optimize internal conversions and revenue based on metrics that grow your bottom line. It’s true that you can consider historical data and trends and external factors like industry benchmarks and competitive activity. However, you want to get as close to revenue as possible. You want to focus on what’s going to happen to your business, not the marketplace.

1. FORECASTING YOUR BUDGETS



Calculating Cost Per Conversion & Revenue Per Customer

When approaching conversion and revenue data, you'll typically consider cost per acquisition—or the cost it takes for you to acquire a customer. This metric helps identify how much you need to spend to gain one new customer, lead, or online sale. It's also important to dig a little deeper and uncover lifetime value. This means understanding the sales life cycle of your customers. And finally, you'll want to determine ROI or ROAS to fully understand how well your marketing program is working.

Unpacking The Influence Of Historical Data & Trends

A lot of times, forecasts and projections are also influenced by historical trends. You can base your decisions on what's happened in previous years and factor in the impact of seasonality or other significant changes that you project will happen again. This may include:

- Sales or promotion periods
- New website launches that could impact performance
- New campaigns in the marketplace that could drive different results or different customers into your funnel

1. FORECASTING YOUR BUDGETS

Understanding Your Industry Cycles

Consider external factors when constructing strategies. This may include industry-specific research or benchmarks from trade groups, associations, or publications in your space. It can also include things that happen in a macro-economic capacity, such as a recession or spike in the economy. Make sure you're creating paid media and SEO strategies that account for these sort of economic uncertainties.

Finding The Point Of Diminishing Returns

Make sure you check assumptions, as there are other factors that come into play. Think through all the opportunities available over the next year. At some point, each incremental marketing dollar invested is going to yield fewer sales or conversions. This is called the point of diminishing returns. When you hit diminishing returns, you must look elsewhere to allocate your next marketing dollar so you're not losing potential ROI.

What CMOs Are Saying About 2024

Here's how top CMOs are thinking about their budgets, based on responses from the latest CMO Survey:

- Optimism for the U.S. economy has increased to 66.7 on a 100-point scale, up from 57.7, and 49.0% of CMOs feel more optimistic this quarter compared to only 30.1% last quarter.
- Inflation is still influencing marketing spend, with 45% of companies reporting a decrease in spending this period, down from 52% that previously reported a decrease.
- Last quarter, 29.4% of pure-play online companies reported a decrease in marketing spend; this quarter, that number is up to 38.9%. On a better note, only 45.0% of brick-and-mortar companies report a decrease of marketing spend, down from 59.2% last quarter.

Source: cmosurvey.org

2. REQUESTING YOUR BUDGET

At Workshop Digital, we've encountered numerous budgeting scenarios over the years. No matter the situation, however, forecasting and presenting budgets and getting them approved requires a little bit of science and a little bit of art. Presenting budgets to stakeholders is all about alignment. Sometimes, you must devise a few different ways of presenting budgets. Let's review some of these methods.

1. Scenario-Based Forecasting

Scenario-based forecasting takes previous data, and creates good, better, best options. This data is based on what you did last year or last quarter. It compares what it'd look like if you add X percent—say, 10%, 20%, or 30%—and it tries to figure out how you scale up what you've done based on historical results.

In these situations, we find that marketers often gravitate towards the safe, middle of the road option. While this can be effective in some situations, it can also result in missed opportunities. Ultimately, playing it too safe may leave things on the table.

2. Zero-Based Budgeting

The second common strategy we see is zero-based budgeting, which goes by different names. Sometimes people just say, "Give us the blue sky option," or, "Tell us how much we should spend." Sometimes it's the only way to go if there aren't enough historical benchmarks or data to make accurate projections.

3. Testing, Learning, and Refining

Our favorite scenario is almost always when we can test, learn, and refine budgets in real-time. This iterative, experimental approach starts with a small budget—perhaps in a new channel or a new series of channels—and determines the best way to allocate it across channels over time.

Our Advice: This is a good place to tap into new, AI-fueled options offered by ad platforms to quickly learn what's working best. You'll be able to know sooner what works and what doesn't to know where to invest more of your budget throughout the year.

4. Bonus Round: Use It Or Lose It

This is typically prevalent in the fourth quarter of the year where people have a "use it or lose it" mentality. Rather than just dump more money into existing channels, you can figure out how to use budgets more intelligently. Even if you're not actually carving out budgets at this stage, this is a good time to gain some insight through testing and experimentation to help inform next year's strategy.

2. REQUESTING YOUR BUDGET



Show Your Work

What does it mean to accomplish your goals? How do your goals ladder up to business objectives? Showing your work will help you get budgets approved. Know exactly how you're going to measure results—and which tools you're going to use to obtain your established KPIs.

If you're able to communicate why you're doing something, and the rationale behind your decisions, you're more likely to get approval.

Make sure you're also building in an appropriate amount of diminishing returns. Not every dollar spent is going to yield the same return as you increase your budgets, so think about how that's going to impact your overall return. And finally, the most obvious—but often overlooked—factor is explaining the “why” behind your work. If you're able to communicate why you're doing something, and the rationale behind your decisions, you're more likely to get approval.

Challenge Your Assumptions

What works today isn't always going to work tomorrow. Therefore, it's critical to factor in potential disruptions in your market. It's important to know what industry- or platform-specific variables you must factor in. Alternatively, you can prepare a contingency fund budget to make sure you can counteract any market forces that may arise.

As we've already mentioned, budgets are not meant to be static. You must make sure they're nimble and agile so you can respond in real-time to changing market conditions.

3. REFINING AND RECEIVING YOUR BUDGET

What do you do when your 2024 digital marketing budgets are approved? And how do you ensure you're taking full advantage of your options? Let's review.

3 Ways to Derail Budget Decisions

We partner with companies that have a variety of budgeting processes. While it's hard to say what's going to work in every situation, we do see some common pitfalls or scenarios that can totally derail the process. Here are some ways to avoid or preempt some of these situations:

1 Trying to do everything at once

Budgets are always finite, regardless of organization or opportunity size. It's important to allocate your budgets based on what you think is going to have the greatest impact on your business. Make the best use of the resources you have available—whether that's people, software, training, or brand equity.

2 Changing priorities or objectives late in the game

If you're still establishing business objectives or strategic drivers at this point, you're doing things in reverse. As we've already mentioned, you want to start with a clear goal or objective in mind. If you haven't established objectives yet, consider returning to square one. Start by defining your objectives, develop strategies, and then determine a budget to support them.

3 Sticking to "the way we've always done it"

The final pitfall we see is when companies get stuck in a rut and do things just because they're comfortable with the approach. While assuming you're going to spend the same as last year—or use the same channels, strategies, or tactics—may be an easy path to approval, we encourage our partners to push outside their comfort zones.



4. YOUR BUDGET IS APPROVED. NOW WHAT?

You've gone through the process of getting the right stakeholders to approve your budget requests. You've got a pocket full of dollars. And you're ready to go out and start buying. So, where do you begin?

Here are some best practices that can improve your chances of success.



Stay Focused On Your Goals

Far too often, we've seen clients jump into a situation by chasing a shiny object. In today's data-driven world, it's easy to ignore human judgment and intuition and want to immediately seek out an AI solution to every issue, installing tools to solve problems that are fundamentally solvable by people. While technology is great, it's not the only way to go about measuring and generating insights from your marketing channels.

Consider how your measurement model is going to adapt to your new strategies and your new budgeting allocation. And don't just look at it as a 12-month plan. Break it down into more manageable chunks—whether that's monthly goals or quarterly targets.

Build In Measurement And Insights

"Stay informed about your market and monitor your competitors' actions, but avoid veering from your established strategies. Just because competitors make unexpected moves, it doesn't necessarily mean they're doing it right. Staying committed to your goals is vital; altering priorities or strategies late in the year or budgeting process resets your progress. Strategies and tactics need time to yield results."

However, it's important to acknowledge that a lot can change in a year. Periodically, perhaps quarterly or semi-annually, reassess your chosen path. Use this opportunity to evaluate your progress toward your predefined objectives and milestones.



Don't "Set It And Forget It."

Complacency can set-in when we get busy, especially after a major launch. Surprisingly, this post-launch phase is ideal for evaluating what's effective and what's not. Take a close look at your attribution model to fine-tune your optimization. Seize new opportunities and cut funding for underperforming strategies. Consistently leveraging data will help you make informed budgeting decisions, not just once but all year long.

QUESTIONS WE HEAR THE MOST

Here are the questions that CMOs and marketing executives are asking us, and the solutions we share to help them get more from their budgets.

Q How much should we spend?

A It depends. Partnering with a digital marketing agency can help you make an educated guess based on your circumstances and your opportunities. First and foremost, we'll work to establish your goals and objectives to understand if you're trying to drive website traffic, qualified leads, sales, or new customers. Together, we'll identify your ROI or ROAS goals, so we can work backwards and stitch together data points to identify real opportunities based on your unique situation.

Q How do we include AI in a 2024 budget?

A The first thing to understand is that AI isn't going to be a line item in your budget for 2024, rather, it will be an integral part of how your marketing team finds and shares information, creates content, and conducts analysis and reporting. Most investments in AI will be likely be in the time it takes to learn where and how this evolving technology will help your marketing efforts.

Eventually, AI will give your marketing teams new tools that help save time, increase output, and expand the skillset of your existing resources. For now, it's best to test and learn to see which tools and services are intuitive matches for your team, as well as what becomes available to you through your existing service programs and agency providers.

How CMOs Are Using AI Heading Into 2024

How is your company using AI in its marketing activities?



Source: cmosurvey.org

QUESTIONS WE HEAR THE MOST

Q We can't afford to do it all. Where do we start?

A This is true for just about everybody—so don't feel bad if this is your situation. It doesn't matter if you're IBM or just opened your doors last week. No company can afford to buy all the media, ads, clicks, or impressions. It's just not possible. You've got to start somewhere.

Once you've established a ballpark range for your budget, we're able to marry that with your objectives to figure out what's going to provide the best chance of accomplishing your goals. Many times, we want to start small and iterate. We're often going to recommend different types of strategies that we can bring to bear across different channels.

Knowing which digital channels make the most sense for your situation is tough without understanding your business, your audience, and your potential customers. Once we understand your objectives—and what you're trying to accomplish as an organization—we can leverage the right strategies to reach your audience in a meaningful, valuable way.

Q Why is digital marketing so expensive?

A It's true that digital marketing can be expensive. But the return on investment and analytics capabilities more than justify the price tag. Whereas a lot of traditional media cannot display a direct impact on your bottom line, digital marketing is trackable and targeted. It can identify audiences and reach people who are most likely to purchase or learn more from you with high degrees of precision. Often, that extra degree of accuracy comes at a slightly higher cost.

How CMOs Are Distributing Their Budgets

Marketing expenses in your company budget include (percent selecting category as part of marketing budget):



Source: cmosurvey.org

TAKE GUESSWORK OUT OF BUDGETING - START GATHERING THE DATA YOU NEED



This may seem like a lot to consider, but it's really just a starting point. Advancements in technology allow us to more quickly and easily get to the data we need to make budgeting decisions, but you can still slice that pie many different ways.

Having a solid strategy in place will keep your team focused and ensure you're all staying on the same path. Plus, you'll get peace of mind knowing your choices are backed by data and utilize smart investments in growth.



Get expert help with your budget. We create custom marketing plans that improve efficiency, show value, and generate revenue.

[**CONTACT US**](#)



Talk to our budgeting experts today

📞 804-303-2883

✉️ workshopdigital.com/budget