

Quick Budgeting Guide

For Online Marketing

Wildfire Internet

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Introduction

Thanks for downloading our quick budgeting guide for online marketing. This guide will help you to quickly estimate budgets to achieve your online revenue goals.

We recommend you also download and read our [Market Research Guide](#), this will help you determine the size of your marketplace and levels of competition.

1. Estimate Your Spend In 10 Seconds

The first step is to take your annual revenue goal and times it by 10% to get your marketing spend. This gives your approximate marketing spend over the year.

For example, if you want £1.2m revenues in 12 months then your marketing will be £120,000 for the year, or £10,000 per month.

This is a sanity check for comparing against your marketing costs according to Google which we will cover later.

2. Get Your Cashflow Sorted

Make sure you have enough cash available to cover the first 6 months at least. Your return will be dependent upon many factors and may need refinement via market test campaigns which can cost money and deliver little payback until it is spot on.

3. Determine Where You Are Going To Advertise

Look at where your established competition are advertising who have a similar size turnover that you are projecting for yourself.

Typically this means Adwords and organic search, i.e. appearing naturally high on Google's search engine results pages. Social media has more of a time and creative cost rather than advertising cost currently.

4. Estimate Your Traffic & Adwords Costs

Use the [Adwords tool](#) to estimate your available traffic and associated cost per click. This is likely to be your biggest cost initially. Assume 2% of your paid clicks convert to orders. This figure can vary from 0% - 5% or more dependent upon your product offer.

5. Estimate Your Organic Marketing Costs

You need to create a long term organic marketing campaign. Assume it is 30% of your Adwords spend and that it will run for at least 12 months with results that build progressively over time. To be more accurate you should use a specialist tool or SEO provider to estimate the keyword difficulty for your chosen keywords and factor this into your pricing. Assume this traffic converts to orders at 2% as well.

6. Estimate Your Average Order Value

Calculate the average order value you expect on your site. Consider any upsell or cross-sell items either online or via the phone plus service or installation costs and figure in 10% discounts for promotional pricing.

7. Calculate Your Marketing Spend

Take your target revenue and divide it by your average order value. This tells you how many orders you will need to achieve your goal.

For example, if your average order value is £200 and you want to earn £1,000,000 then you need 5,000 orders.

Divide your order volume by your 2% conversion rate and multiply that by your cost per click.

For example, 5,000 orders / 0.02 = 250,000 clicks at say 30p per click = £75,000

Multiply £75,000 x 30% for your long term organic campaign = £22,500

Add the two figures to get your marketing spend, in this example £75,000 + £22,500 = £97,500. This is roughly equivalent to the 10% we quickly estimated at the outset. Normally the sum comes out between 10% - 13%.

Over time, you will grow your base and be able to factor in repeat buyers and email marketing campaigns tempting customers back as a way of getting the costs down.

And Finally...

Remember to spend time getting your forecasts right and ensure you have sufficient funds available to fund your cash flow for the first 6 – 12 months.

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