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B2B ONLINE MARKETING

ESTIMATING YOUR DIGITAL MARKETING ROI & VALIDATING YOUR BUDGETS

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ABSTRACT

Marketing professionals today have a bounty of responsibilities when it comes to their job roles. When your department touches everything from branding to sales to customer service, you end up spending a lot of your time supporting other day-to-day functions of the business. Marketing departments are usually overloaded and spread thin—which can be a recipe for disaster when it comes to showcasing a return on investment and justifying their budgets.

This whitepaper will dive into the intricacies associated with tracking digital marketing efforts and will provide key takeaways to begin optimizing your digital marketing plan to better align with sales and prove a return on investment.

PROBLEM STATEMENT

Many companies spend a lot on marketing, but is all that money well spent?

Are you considering investing in a digital or inbound marketing strategy but unsure how the investment will pay off? How can you easily convince upper-level management that the money your organization invests isn't wasted?

In this whitepaper, you will learn how to estimate your digital marketing return on investment (ROI) and discover the positive impact that digital marketing can have on your top-line growth.

Is Your Marketing an Investment or an Expense?

Many executives and decision-makers view marketing as an expense rather than an investment. As a result, they opt to cut their marketing budgets before realizing that marketing and sales go hand in hand.

After all, how can you expect to increase sales if your marketing and sales are not aligned? Forrester Research cites B2B organizations with tightly aligned sales and marketing operations achieved 24% faster three-year revenue growth and 27% faster three-year profit growth.[1]

By aligning your sales and marketing teams, your business will be able to increase lead generation and ultimately, new business revenues. Organizations with closely aligned sales and marketing teams and strategies experience 36% higher customer retention rates.

Why Companies Don't Track Digital Marketing ROI

Only 35% of marketers said that understanding the ROI of their campaigns is "very important" or "extremely important."[2] Here are some common reasons why companies don't measure digital marketing ROI:

- **Fear of failure:** Marketing is a science. You will fail. Embrace failure and move on. If you're a marketer, you must tie your efforts to profits or risk being obsolete.
- **Lack of tools/data:** Include the cost of your marketing tools in your ROI equation. You'll need the right tools to effectively engage in a digital marketing strategy. Understanding what to measure and where to acquire the required data are critical components to your success.
- **Lack of knowledge:** Today, digital marketing is rocket science. Get educated on how to build a successful marketing program or bring in an expert.
- **Perceived as being too difficult:** Measuring digital marketing ROI is easier than you think. Take small steps and build sophistication over time. Don't let it overwhelm you.
- **Perceived as being too expensive:** Once you know how to define digital marketing ROI, the expense is irrelevant. It's the promise of a return that matters.

When it comes to creating and fostering a successful inbound marketing ecosystem, there is a certain level of investment that all companies need to be aware of and commit themselves to from the start—not just a financial investment, but an investment in the people and tools that will be supporting the ecosystem that's being created.

BACKGROUND

According to a Gartner study of over 300 CMOs, after years of robust growth in marketing budgets, there was a YOY drop of -11% in 2018 and again of -10.5% in 2019.[3] This is happening all while marketing executives are expected to justify spend and show ROI. Not only is it difficult to connect all initiatives to a 1:1 ROI correlation, but even when possible, many marketers lack the tools, processes and solutions to do this successfully, especially with retroactive data. This makes it almost impossible to proactively predict and plan for expected ROI from future marketing initiatives.

To understand how this trend and need has evolved, we have to step back nearly a decade when marketing automation tools were just being developed, piloted and tested with varying degrees of success. One of the few ways to tie marketing efforts back to sales was through paid advertising and an eCommerce website. This evolution changed how leadership began to look at all marketing efforts and created the expectation that all digital efforts could and should be measured. This created huge growth in the industry for tools and software that measured cost per lead, lead acquisition source and numerous other data points to allow marketers to find leading indicators of success. As the tools evolved, so did the expectation around measuring ROI. But, if you have ever implemented a software—whether it be an enterprise resource planning or customer relationship management (CRM) system, you already know that the tool is only as good as the user commitment to onboarding and the process behind it.

Part of the problem, as articulated in the book *Storytelling with Data*,[4] is that today marketers and researchers alike have access to a plethora of tools that allow us to measure data and then regurgitate it for decision making. When this goes well, it allows us to work smarter, not harder. When it goes poorly, it can dilute a brand, hurt sales and take a trajectory that could potentially take years to recover from.

All of this leads one to consider where to even begin in this process. After all, if it was easy, we'd all do it. Estimating digital marketing ROI can be simple, but it's definitely not easy. As we continue to dive in, some considerations are listed below.

Who Will Do the Work?

Consider who will do the work for your company when it comes to measuring digital marketing ROI. Will you build a team, train an existing team or hire an agency to own the strategy and tactics for you? Keep in mind, your answer might be a mixed approach.

Budget, time and areas of expertise are all important considerations when weighing your options on how this initiative is set up, executed, measured and optimized.

How Will You Align Your Sales and Marketing Teams?

Separate, but of equal importance is setting the stage for how you align your sales and marketing teams. This is a crucial step in understanding what success looks like so you can set goals. Aligning sales and marketing will only make executing and measuring your campaigns easier and more efficient.

What Tool Makes the Most Sense for Your Business Needs and Budget?

Lastly, you need to understand the landscape of tools that can support digital marketing efforts and closed-loop reporting to understand the ROI of your campaign. More often than not, this will look like a suite of tools, some paid and some free. There are pros and cons to each tool, and for this whitepaper, we'll be specifically focusing on HubSpot, a multi-tier solution for marketing, sales and customer service support. Even within the HubSpot tool itself, there are several options for the type of integration that makes the most sense for your business. Things to consider when looking at tools should be the overall cost, the ease of onboarding, the supported training and the depth of reporting capabilities.

SOLUTION

The positive news is this: There is a recipe for success to create a strong starting point, benchmark and evaluation of your marketing strategy to better estimate ROI.

Gather the Data

HubSpot's software offers a handful of options for successful tracking of website data along with form submissions. This will allow you to get a better understanding of how your prospects and customers are using your website and whether or not there are effective conversion points (website forms such as contact us and request a quote).

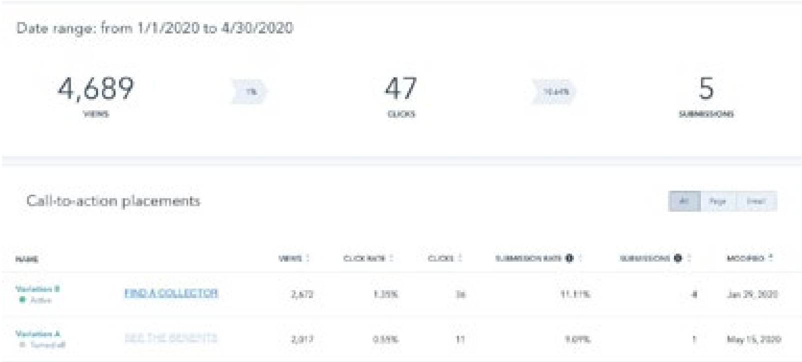
If you're not already tracking your website analytics with Google Analytics (a free tool), this will be a strong foundation to put in place. With HubSpot, not only will you be able to track your website pages, but also the success of your email marketing, social media marketing and form submissions all in one place.

By tying your contacts to website pages, social media posts, pay-per-click and email marketing, you can begin to see a clearer picture of what convinces a prospect or customer to convert (submit a form) on your website.

Improve Your Website

Once you have an understanding of what's working and what's not for engagement and lead conversion, you can begin to improve your website to enhance what's working and adjust or remove what's not. Another key attribute of the HubSpot software is simple A/B testing. A quick way to find out if a call-to-action (CTA) could be improved to capture more leads is to test each of the following, but only one at a time, to truly understand what factor created the change:

- CTA button color
- CTA language
- CTA website page placement



An example of A/B testing for improved click rate.

You should also look at your website holistically and determine if you have the right type of conversion points for what your prospects and customers are trying to get answered or solved when they're in their respective buying stages. For example:

Research:

When a prospect or customer is early on in the purchasing process, ensure you have a website page(s) and downloadable pieces of content that speak to their situation at hand. Provide objective information about how they can make the best decision for their need. This showcases expertise but also builds trust during the buying process. All consumers are looking for ease of doing business and this support is the first step.

Consideration:

Once a prospective buyer understands the marketplace and how they need to evaluate prospective partners, they're ready to consider their choices. Ensure your website has proof points that show how you've solved problems for customers, typically in a case study format. Like attracts like, so profile and showcase solutions of ideal customers that you'd want more of.

Decision:

If your website has existing conversion points, it's likely for this buying stage. A decision-focused conversion point allows a prospective buyer to "raise their hand" and take the next step to speak to sales. Ensure you have the best options for what your buyers are looking for. That might mean including "Request a Quote" or "Ship a Load" CTAs on your site.

Craft Strategies for Digital Marketing & Sales Success

Once you've begun to understand how you can improve your website by getting a clearer picture of what your buyers are looking for, you should expect to see more leads in your pipeline. Once your sales pipeline is filling up with digital leads, you need to ensure you have the right sales process to turn them into customers, otherwise, this is all for naught and your efforts will be wasted—because you'll never see your ROI.

Sales and marketing teams, in order to be successful, must depend on each other for real-time collaboration and feedback on leads. Marketing needs to know that sales is quickly following up on all leads and documenting what makes them of good or bad quality. From there, marketing can and should adjust or double down on strategies, depending on the feedback.

By focusing on sales qualified leads (SQLs) as the priority for both sales and marketing teams, you can strengthen your alignment toward trackable ROI.

One way marketing can increase the likelihood of a lead becoming an SQL is to create nurturing campaigns to push this effort. Similarly, SQL-to-closed-customer nurturing campaigns can also reduce the amount of time to close, another key metric when looking at the value of a campaign and its ROI. The sooner something closes, the faster the revenue is coming in the door.

Analyze Your ROI, Then Adjust and Repeat

Once you've worked to set up lead tracking software, optimized your website and aligned your sales and marketing teams, you're now ready to dive into the ROI component and determine success and justification for the budget.

Backtracking ROI—once a lead has gone to quote—is the simplest way of showing how effective your marketing initiatives are. You might be wondering, "Why aren't I showcasing closed customers as the ideal metric?" Simply put, closed customers factors in the success of your sales team doing their job proactively and responsibly, and while we're looking for strong sales and marketing alignment, delineating between those key accountabilities is crucial to understanding if a problem exists and how it can be solved.

If you look at your SQLs and opportunities (SQLs that have gone to proposal), you can now track how much of an impact marketing is having on filling the sales pipeline. Tying a dollar value is simple when leads are updated in your marketing automation tool and/or your CRM. When a proposal has been delivered, update the lead with the dollar amount of the proposal. From there, the equation is simple:

Take the overall digital marketing spend and divide it by the total number of SQLs and you get your lead acquisition cost. Your lead acquisition cost is what you're paying per sales qualified lead.

TOTAL DIGITAL MARKETING SPEND ÷ TOTAL NUMBER OF SQLs = LEAD ACQUISITION COST

Then, look at the total estimated revenue of the opportunities that originated from a digital source and divide it by the total number of opportunities. This showcases your average revenue per opportunity.

ESTIMATED REVENUE OF QUOTED OPPORTUNITIES ÷ TOTAL NUMBER OF OPPORTUNITIES = AVERAGE REVENUE PER OPPORTUNITY

Other key factors to consider when looking at ROI:

- Topline leads and marketing qualified leads (MQLs) who are nurtured into SQLs need to be added to this formula as they move through the lifecycle stages
- You need to consider your average time to quote/close a customer before considering if your marketing is a failure or a success as it relates to ROI. If it takes on average eight months to go to a proposal, you need to give your lead that time to get to the proposal stage or not before discounting them.
- The lifetime value of a customer, not just the initial sale. It might cost you a high dollar amount to close the customer and that cost might not be recouped in year one, but if the average lifespan of a customer is longer than one year, you should compare that timeframe to the cost you're paying for the lead.
- Your digital marketing not only secures new leads and clients but also influences your existing customers and their continued purchasing. HubSpot has a feature in its reporting tool that showcases "influenced contacts" by your marketing efforts. Showcasing this metric demonstrates the importance of your marketing efforts and by improving this number, you can show greater value for the work you're doing to support your customer base and build your brand.

CONCLUSION

One of the biggest challenges marketers face today is proving the ROI of digital marketing. In fact, most find it difficult to attribute leads to revenue while others don't know the right metrics to measure performance. How can you plan your future strategy if you can't determine the ROI of your past efforts? With any digital marketing initiative, it's important to pay attention to key inbound metrics (e.g., MQLs, SQLs, website sessions, etc.) on at least a monthly basis.

By tracking and reporting on these key performance indicators, real-time adjustments to low-performing content can be made to better serve a prospect's needs. Furthermore, what's working for existing prospects can be repeated over and over again in an attempt to replicate success. This results in increased sales and marketing efficiency, which translates into your sales team talking to the right leads at the right time and closing the sales that will grow your company.

Today, more and more companies are investing in digital or inbound marketing strategies to reach customers and prospects where they are online. By investing your time and money in digital marketing, you can grow your brand and build meaningful relationships, which ultimately results in more sales and greater ROI of your marketing efforts.

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