3 Questions to Answer Before Investing More Into Your Marketing Budget



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It’s tempting to sink large amounts of money into your marketing budget when sales lag or the economy drags and revenues drop. However, you may be throwing your money away.

Before you jump on that new marketing fad or sign the pricey contract with the trendy boutique agency, take a few days to formulate crystal-clear answers to each of the following three questions.

1. Do you actually need more

customers?

This might seem like a no-brainer. The impulse is to think “of course we need new customers!” However, that’s not necessarily always true.

Here’s an example to illustrate: Consider a subscription-based SaaS business that’s currently experiencing increasing levels of churn – that is, customers who sign up but then cancel the subscription. At first, it might seem that adding more customers is the proper solution.

However, simply pouring more customers into an emptying funnel like that won’t do your company’s financial health much good. At some point, you’re simply going to run out of potential new customers, especially if the fleeing customers are talking about their experience with your brand on social media.

In this case, you’d be far better off working to understand why your churn rate is so high and addressing that problem first. Then you can revamp your marketing based on your response to that problem.

First, you might begin conducting quick exit interviews when customers cancel to find out why they’re leaving. Maybe you learn that the issue is poor customer service. You might want to follow up with some of the departing customers so you can dive deeper.

Next, based on that information, you fix the actual problem – that is, the poor customer service experience. That might involve a combination of staffing changes, procedural revisions and enhanced training or other tactics. Then you can then present your new, improved customer service experience as the centerpiece of future marketing efforts. You may or may not get the old customers back, but you’ll be adding new customers who aren’t as likely to slip through the cracks.

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2. Can you squeeze more juice out of your current marketing channels?

Before you increase marketing spending in a new tactic or channel, make sure that you're not wasting the money you're already spending. You might be surprised how much you can optimize and improve your current systems and efforts. Small, incremental optimization can yield significant results, all while avoiding the learning curve you'd have to master with a new channel.

Let's say your company spent a few thousand dollars on freelance designers and conversion copywriters to create a new landing page for your current campaign. The landing page's call to action asks viewers to sign up for a trial membership. Despite that investment, only about 2% of all visitors to the landing page sign up for the free trial membership.

You could start over and create an entirely new landing page, create new ads to drive traffic to the new page, and run those ads on entirely new channels. These are all fairly significant financial investments for an uncertain payoff.

Alternatively, you can look for ways to optimize the performance of the landing page you're already working with. Can you tweak the ad's creative to drive a little more traffic? Is there a tight alignment between the ad's headline and the landing page's copy? Did you split-test the call to action, or can you do so now? Can you bring back that conversion copywriter to help you optimize the page's copy or the color and text of the call to action button based on those test results?

Optimization requires gathering some relevant data points and knowing how to interpret that information to make small tweaks

or incremental revisions to a marketing asset to boost performance. You could double or even triple that 2% conversion rate for a much smaller additional investment. That's a strong ROI that'll help bring in more trial users, which should trickle down the funnel to more paying customers and higher revenue.

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3. What happens when your planned new investment goes well?

Think about the long run "what happens if this goes well" story. You want to build marketing channels that can grow over time so that you can continue to hit marketing metrics as your company grows, too.

If you are capped out in a certain tactic or channel, then is that the right area to invest additional time, money and resources? The law of diminishing returns will dictate a change in strategy at some point. For example, there are only so many area youth soccer league teams you can sponsor. If you've explored that option as much as possible, there's no real percentage in trying to find another team in a neighborhood a little farther out of town.

On the other hand, let's say you reasonably think additional attention to SEO with a local marketing focus will help improve your marketing results. You believe that there are thousands of local searchers looking for the same services you provide every month. In that case, investing more money into SEO could have a significant, ongoing impact.

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Companies that don't invest in marketing at all are dancing on the edge of a perilous cliff. However, pouring even more money

into an underperforming marketing strategy without carefully examining all the circumstances at play can be a bad investment. Take some time to get clarity on these three questions, then make your decisions accordingly.

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