ownr

Digital Marketing Basics

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One

How to use Instagram to grow your business

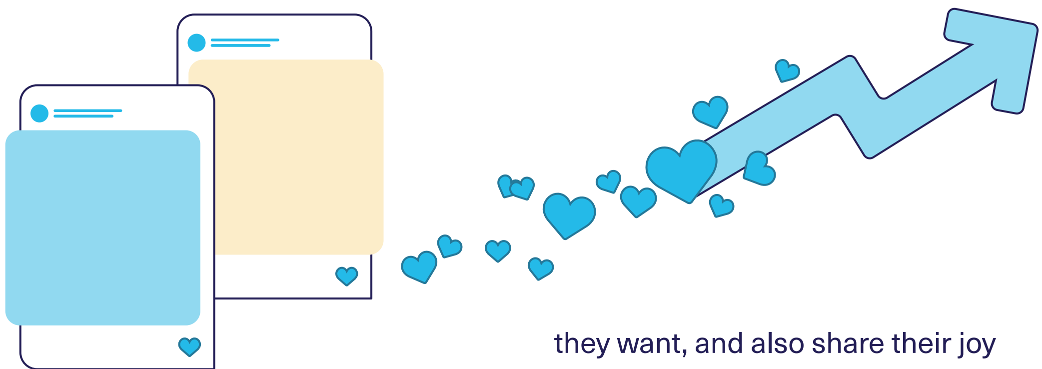
First of all, why is Instagram good for business? And how can you use it as a marketing tool? People love Instagram, and so do brands and businesses. Instagram is a platform for visual expression, sharing your passions, a source for daily inspiration, and a means to build and engage a like-minded community. The simplicity of this platform also drives its mass popularity.

People visit Instagram to discover things they care about, and increasingly, that is content from brands and businesses. Worldwide, over one billion Instagram accounts are active every single month, and 80% of these follow a business. The daily figure is equally staggering at 500 million active accounts.

With millions scrolling this social channel every day, Instagram is the platform you want to market your business on. It can get your visibility, help you convert an audience into customers and money directly off it, and enables you to build trust and credibility through direct engagement with people. Today, if a business isn't taking advantage of the visual appeal and the inbuilt business tools of Instagram, it's a missed opportunity in terms of marketing, customer acquisition, and potential sales.

The nature of content on Instagram allows a business to show its human side.

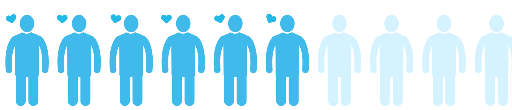
Benefits of using Instagram for business



1

Increase brand awareness

According to Instagram, 60 per cent of people say they discover new products on the social network. Instagram is a platform that people use almost every day. When you're speaking to your target audience in an environment that's familiar and relatable to them, you're more likely to be seen as an approachable brand, prompting an action from your target audience.



2

Build a community

Instagram connects people to businesses that speak to their passions. This organic outreach creates a community of followers who can directly communicate with your business, give you feedback on what they want, and also share their joy after experiencing what your business offers. Giving your current and future customers a community to be a part of is invaluable in driving sales.

3

Inspire action

You can stir curiosity and motivate people to move forward in their relationship with you as a business through creative and aspirational content. Instagram allows many gateways in its content to sign up people to your email list, make a purchase, check out your website, among others.

4

Humanize your brand

The nature of content on Instagram allows a business to show its human side. You can promote your business, without the hard sell, by giving Instagram users a behind-the-scenes look at your business, talk about people behind it, the place where the work gets done, the causes that you support, your culture, and so on.

Start with an Instagram Business Account

If you haven't yet, set up your [Instagram Business Account] to access their many tools that will help you measure and amplify your presence.

- The business account has built-in analytics that gives you a real-time look at how your content is performing in terms of views, reach, and engagement.
- You can learn about your followers, how and when they interact with you, and what they're looking for.
- A business account lets you add details about your business, operational hours, location, and contact details, etc.

With such insights, you can repeat what's working and shape your future content.

How to make your business stand out on Instagram

While Instagram makes it easier than ever to promote your business, it's all the more difficult to stand out in the eyes of your target customer amidst the clutter of millions of accounts.

Engagement is one of the most revealing indicators of how you are performing on Instagram. When your followers interact with your content in the form of likes, comments, views, re-posts, you know you're reaching the right audience, with the right content. So, to bring more eyeballs to your brand and business, your goal on Instagram is engagement, because that leads to more followers who eventually can mature into customers.

Hashtags

Hashtags are how you crack engagement. Adding the '#' symbol before any word or phrase turns it into a clickable topic. When you add a hashtag in your caption or comment, people searching that hashtag get exposed to your content too. Hashtags are like free advertising and one of the most effective ways to get discovered by new audiences on Instagram.

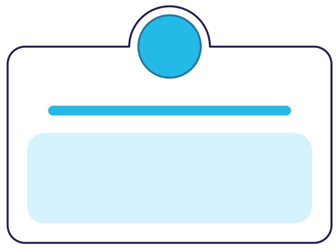
- **Use a mix of trending and targeted hashtags** in your posts and stories. People dedicatedly follow certain hashtags of their topics of interest. So, spend time researching which hashtags your audience follows. For example, if you're a sneaker brand, #sneakerhead might be a trending hashtag.
- **Hashtags also function as keywords** that people will use to search specific content. If your business sells health bars, a common hashtag like #cleaneating will help your post be found by the relevant audience.
- **Hub Spot's Instagram Engagement Report** states that when it comes to hashtags, relevance scores over quantity. Their study shows that up to 5 relevant hashtags provide meaningful engagement.
- **Create a branded hashtag** that's unique to your business and doesn't overlap with other brands. For example, Nike's #justdoit and Lululemon's #thesweatlife are branded hashtags. These can also be names of your company, product or a new phrase you coin that elevates your brand's purpose.
- **Branded hashtags encourage user-generated content.** Happy customers or active members of your Instagram community may want to post about your business, share their experience of using your service, or show themselves using your product in a post or story. A community movement gets created around your branded hashtag, promoting your business to an extended audience.

While hashtags are an excellent way to capture a new audience, remember you can't boost mediocre content even with the right hashtag.

Instagram Stories

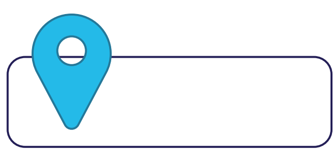
Likes and comments are no longer enough to build your audience and gauge their engagement. Instagram Stories have over 400 million active users every day, and one-third of the most viewed stories are from businesses. It's a proven way to engage people, gain new followers, direct traffic to your website, and sell more products and services.

How to engage with your followers through Instagram Stories:



Question Stickers

Host a Q&A session using this feature and give your followers the opportunity to ask you questions, and learn more about your business and the people behind it. You can also turn the tables and ask your followers their opinion on something. This is a great way to crowdsource ideas.

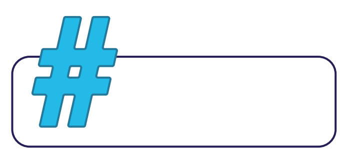


Location Sticker

Instagram stories are searchable by location as well. So, remember to tag your location in your stories so that users searching a location on Instagram can discover you as well.

Story Polls

Give your audience a say by conducting a poll in your stories. You can collect feedback on your product, make them a part of the creation of something brand new, and really understand the pulse of the Instagram marketplace.



Hashtag Sticker

To appear on the search page of Instagram, hashtags are as important on your Stories as they are on your post captions.

While your Instagram feed is polished and carefully curated, Instagram stories are more dynamic, spontaneous, and let you share real-time content.

Instagram ads

You can market your business on Instagram by creating ad campaigns that either run on your stories or your feed. Instagram ads are highly customizable. You can narrow your audience to a location, age, gender, language, interests, and other parameters. Ads help you improve the awareness and reach of your brand, but they are useful only after you've spent some time creating a range of content on your profile and have a defined audience.

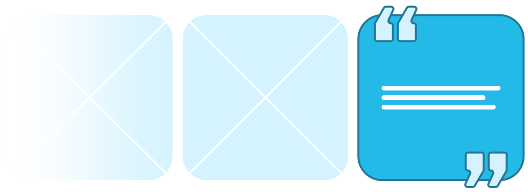
Shopping on Instagram

Your Instagram feed and stories become your online storefront through product tags or stickers. When you set up this feature, users can click on a product tag, learn more about it, and get directed to your online store to complete the purchase.

Good content drives engagement

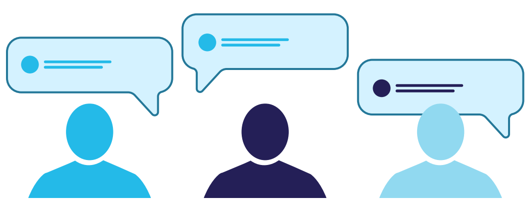
Instagram is a mobile experience, and you have a few seconds to make an impression before the user scrolls onto another image or video. How do you make them stick and interact with your content? What kind of posts engage an audience?

The answer to that is good creative content. Instagram is a highly visual experience. You need to consistently post high-quality content to attract new followers and encourage existing ones to engage with you. These are a few basic guidelines to help you build a community of your target consumers on Instagram.



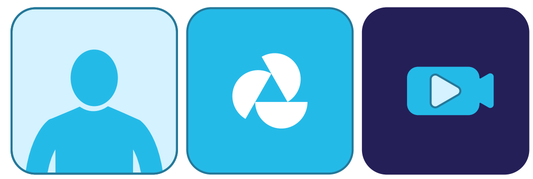
Types of posts

People respond to great content, be it from a friend or a brant. But if they repeatedly see the same kind of posts from you, they'll skip you in their feed. Break the monotony of product posts and infuse some diversity in your content by posting about your customers, their testimonials, your employees, or team members. Working in the field and behind-the-scenes posts adds authenticity to your social presence. Motivational quotes also prompt many to respond.



Contests to gain attention

Asking users to share a photo or a video as part of a contest creates an emotional connection between you, the business, and the consumer. You're also generating authentic marketing content through your customers that you can showcase on your profile as an endorsement. Contests build momentum in the run up to a product launch. They have you go viral and give your community a reason to engage with you.



Photos and videos

Incorporate your logo and brand colours for a consistent look and feel in your content. The images and videos should be shot aesthetically, in good lighting, with an adjoining call-to-action. Think about your target audience to create a user persona and tailor your images and videos to catch their eye.

Focus on posting video content regularly because they perform better than other types of content. Hub Spot's Instagram Engagement Report found that video posts receive, on average, the highest number of likes, and more than double the number of comments on static image posts.

Ensuring the success of your Instagram content

Instagram prioritizes content from accounts that you've interacted with in the past through a like, comment, tag or a direct message to arrange your feed. The Instagram algorithm sees this interaction as an indicator of interest or a relationship, and will show you these accounts first in your feed or stories bar. That's why engagement is so important to remain visible to your audience.

- **Instagram Insights:** To ensure you're seen by your audience when they're online, take a look at the Insights feature in your Instagram Business Account to see how your content is performing on different days and at various times. Insights show you numbers on profile visits, website clicks, and the time and days your audience is most active on your page. It also breaks down the age range, gender, and location of your audience.
- **Scheduling Instagram posts:** When you've determined the time and days when your posts perform the best, get ahead with planning your Instagram content by using scheduling platforms like Later, Hootsuite, HubSpot, Buffer, Sprout Social, and others. Depending on the advanced nature of their features, these post schedulers charge anywhere between $10 to $100 a month per use. This could be a useful investment as your Instagram community grows and demands fresh content daily.

The takeaway

Today's consumer is highly discerning and wants to be heard. They are more likely to purchase your product or service if they've experienced a personalized and authentic social interaction with your business. There is value in nurturing your existing niche community of followers who interact with your business regularly, instead of investing all your resources in chasing new ones, who may just remain silent followers. As we emphasized earlier, focus on improving the engagement rate of your content.

Last but certainly not least, reinvent your content from time to time and play around with how you interact with your audience in order to retain them. This core pool of loyal followers can organically spread the word about your business to newer audiences.

Two

Local SEO tips for your business

SEO, email, and social media marketing go hand-in-hand, but are distinct. How do you show up in local search when similar businesses in your area also compete for your customer's attention and business? An effective way to stand out from the competition and draw customers your way is to optimize your web presence for local search.

Google, the most widely used search engine in Canada, localizes search results based on the searcher's geo-location. Along with the distance or proximity factor, the relevance and prominence of a business also dictates its rank in local search results on Google Maps and Google Search.

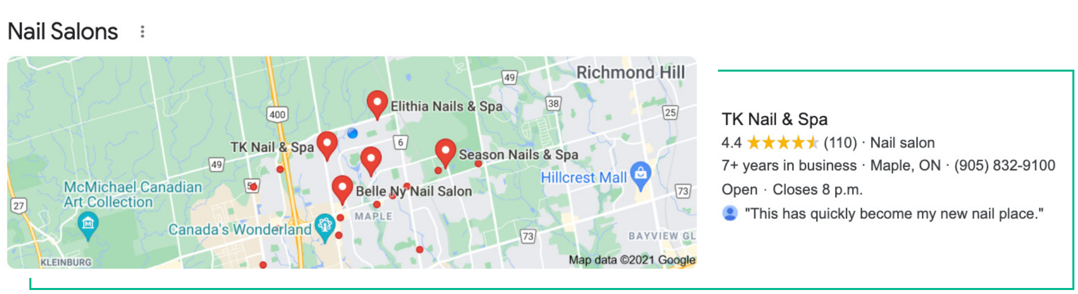
So, the success of a local business and its ability to attract potential consumers within its neighbourhood depends on optimizing its online presence for distance, relevance, and prominence. In this chapter, we'll break down these three search engine ranking factors into actionable steps that will optimize your business for local search.

An effective way to stand out from the competition and draw customers your way is to optimize your web presence for local search.

What is local SEO?

Local Search Engine Optimization (SEO) refers to a set of practices that optimize a business' online presence so local searchers in the area can discover it quickly and easily.

Search engines want to give the user exactly what they want. Google shows local results for queries with a local intent. For example, if you run a nail salon, you need to optimize your online presence for queries like "nail salons near me" to direct that customer to your location.



With local SEO, you help search engines understand your business better to recommend you as an option to the searcher.

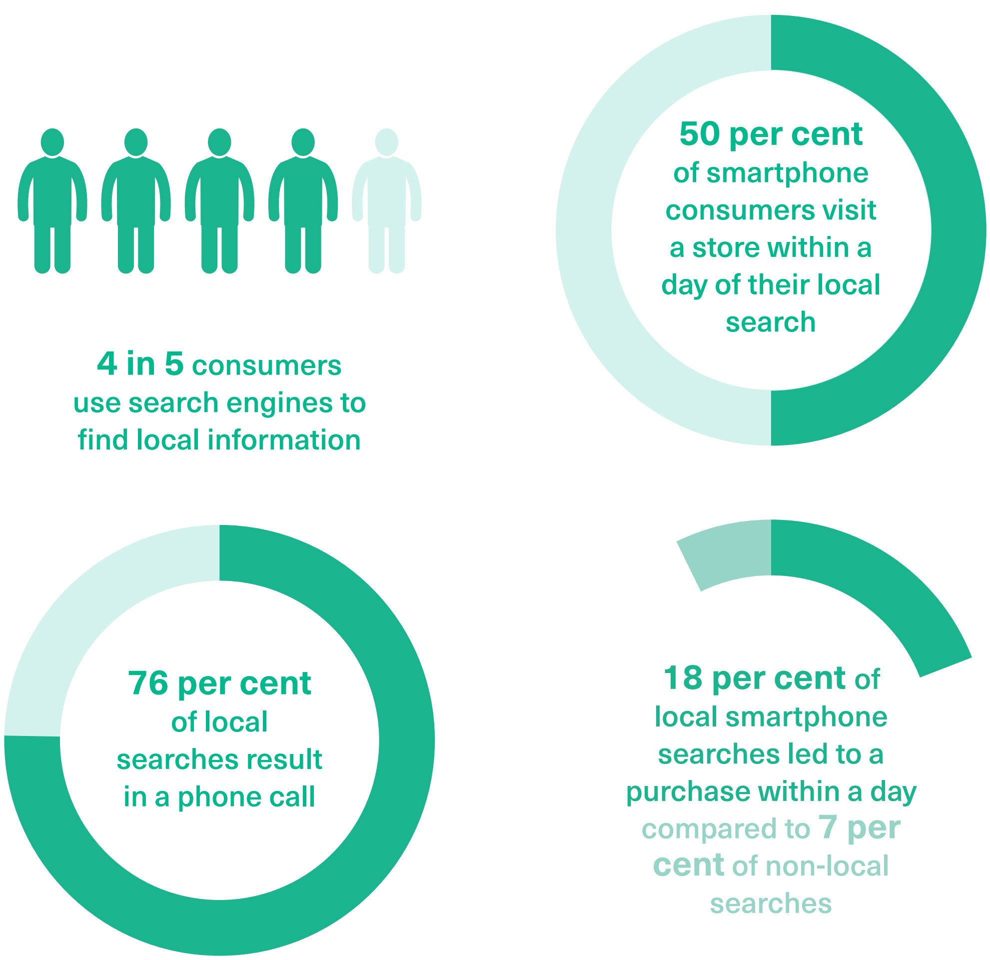
Local SEO therefore applies to businesses with a physical location like a sushi restaurant or ones that travel to their customer like a lawn mowing service.

Local SEO is an effective marketing tool that promotes a business at the exact time a consumer is searching for them or for products or services they provide.

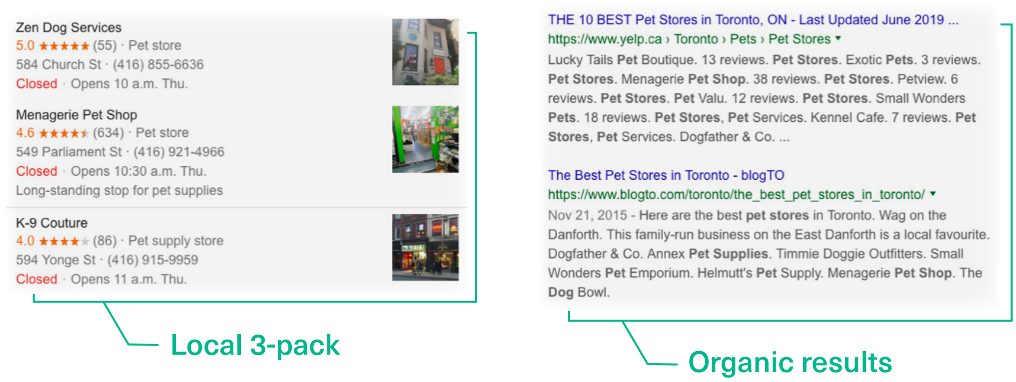
Why does my business need local SEO?

While traditional SEO is important for the overall discovery of your website by the search engines, you must complement it with local SEO to rank for local keywords and for faster discovery.

Google, which corners 92 per cent of the world's search engine market share, recorded these observations about consumers' local search behaviour in a study.



Evidently, local SEO is key to driving people to your storefront. Consumers want and act on location-based information that's customized to their city, postal code, or immediate surroundings. Without local SEO, your business risks being hidden beneath a pile of search results. If your business is not on the first page of a search engine results page (SERP), you lose your competitiveness.



The Google Local 3-Pack

Google displays search results as a combination of a local pack and organic results. Their Local 3-Pack consists of the top three local business listings most relevant to the search query, highlighted in a box with their locations pinned on an accompanying map. The rest are regular organic results.

The Google Local 3-Pack shows up in 93 per cent of searches with local intent. As a business, your SEO efforts should focus on appearing in this coveted section of a search engine results page (SERP).

Tips to help your business appear in local search results

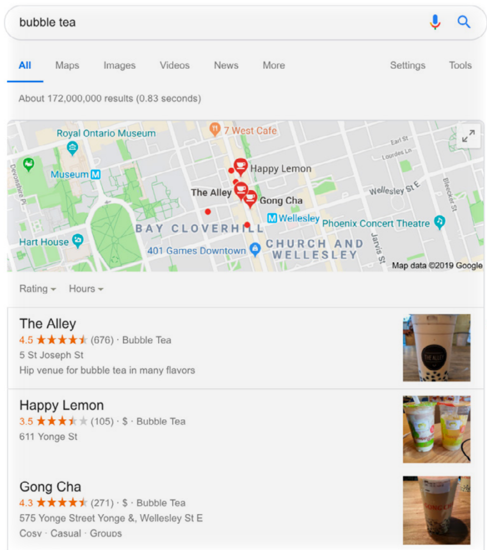
To implement local SEO for your business, first ensure you meet the basic requirements of traditional SEO. Your website must be mobile-friendly, easy to use, peppered with useful and relevant content, and should have built domain authority with quality backlinks.

Building a website is quick and easy when you use online website builders. There are ten considerations to factor in when you choose one for your business. For more on this, check out this guide.

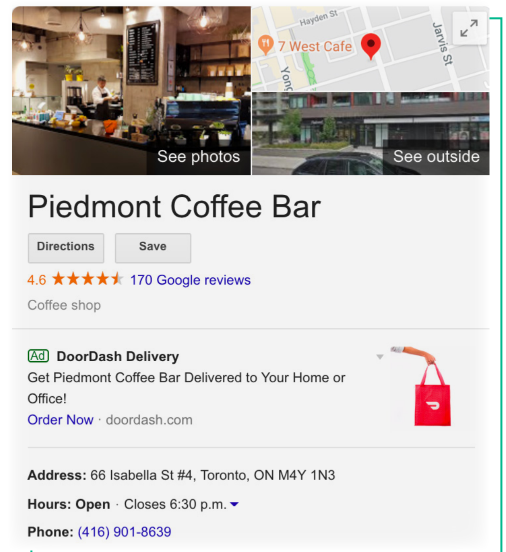
Everything that applies to traditional SEO also applies to local SEO. While the motive of organic SEO is to get a website to rank well in a SERP for specific keywords regardless of the searcher's location, local SEO is geared towards increasing rankings for a website in a limited geographic area. Here are a few actionable steps to appear in local search results on Google.

Local SEO tip #1: Create a Google My Business profile

When people look for businesses and places on Google Search or Maps, they're shown local results based on their geo-location. Google pulls in information from businesses listed with them through their Google My Business feature.



Local search results of businesses with a Google My Business profile



According to SEO experts, your website is no longer the first impression on your customers. The de facto home page of most local businesses today is the knowledge panel that shows up against your business name on Google. That knowledge panel is the Google My Business profile.

All the people who used to go to your website to get your phone number or your address, get directions, check out pictures of your business or read testimonials, they can see all of that in your Google My Business profile.

Your business may get overlooked in relevant local searches in your area if you don't have a Google My Business profile.

What is Google My Business?

Google My Business (GMB) is a free tool to manage how your local business appears on Google Search and Google Maps. You need to create and maintain your Google My Business listing to help potential customers discover your products or services, contact you, and find your location. Remember, verified businesses on Google are twice as likely to be considered reputable by users.

Benefits of a Google My Business profile

- Attract new customers in the area you serve
- It points customers to your website
- Interact with customers by posting photos of your business, products, and services
- Collect and respond to reviews from customers
- Maintain accurate information about your business, for example, hours of operation, web address, phone number, location, etc.
- Use mobile app to keep your online presence up-to-date
- Location-based ads to reach a wider audience

Local SEO tip #2: NAP or name, address, phone number

The purchase journey of a customer plays out across different devices today. It may start on the smartphone and end up on the desktop. The search and discovery experience of users should be consistent at every touchpoint of their journey, from the search engine to the storefront, a mobile app, Google Maps, or information on another retailer's website or app.

What is NAP?

NAP stands for name, address, phone number, and is crucial to rank well in local search engine results. Google uses your NAP data to deliver geo-targeted search results. Google and other search engines also cross-reference your NAP information throughout the web to check whether or not you're a legitimate business. With NAP, you address the local search ranking factors of distance and relevance.

Consistency and breadth of NAP

Conflicting NAP data, multiple business names or different phone numbers confuses your identity for search engines. NAP helps them understand who you are, what you do, and how users can contact and reach you. Your business's NAP should be consistent across your website, your social media profiles, and everywhere else on the web.

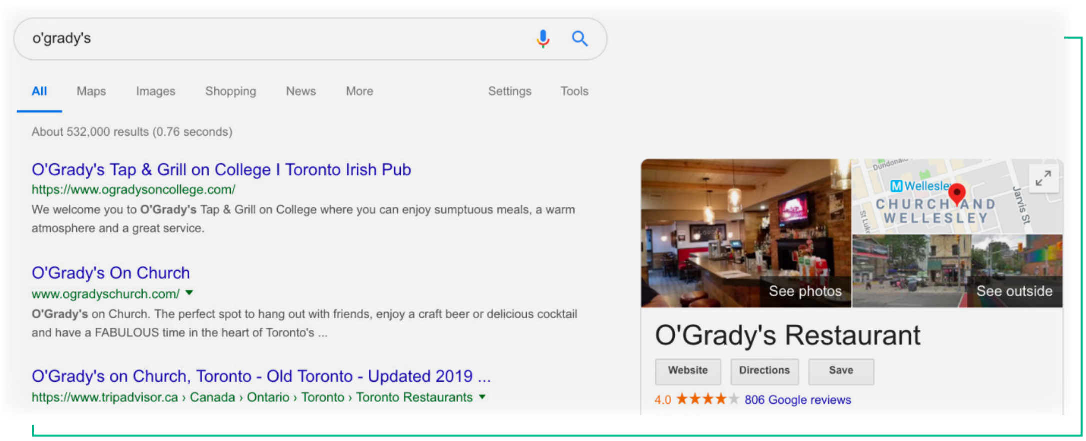
Also, work on expanding the breadth of your NAP through citations. A citation is any mention of your business and its NAP on the website.

By listing your business on online directories like Google My Business, Yelp, Yellow Pages, Foursquare, and other sources of citations like Apple Maps, Bing Places, among others, you establish trust in the search engine's algorithm, and over time build local relevance and authority.

Local SEO tip #3: Reviews

The reviews customers leave for your business and how they rate your service influence how you rank in a SERP. Prominence, the third ranking factor of local search results, is fulfilled through reviews.

High-quality positive reviews and high ratings work like a ranking signal for Google, increasing your chances of getting features in its local 3-pack and even as rich snippet reviews that have good click-through rates.



The more positive reviews a business gets, the higher its chances to rank in Google's Local 3-Pack. Reviews from other platforms also get featured in normal organic results as rich snippet reviews that help with your click-through rates.

Sixty eight per cent of consumers are more likely to use a local business based on its positive reviews. To build your online reputation, here are a few key things to note:

- Make it easy for your customers to review you. The Google My Business profile is one location, but also maintains a presence on other popular review platforms like TripAdvisor, Yelp, Yellow Pages, Facebook, etc.
- Collect email addresses at the time of service and send a request for a review later
- Handout a card or a flyer after the service to encourage a review
- Use social media to ask specific questions from your customers

Tools and resources for local SEO

To help improve your local search rank, there are several online services available for a one-time or monthly fee.

1

[Whitespark]

Their services are focused on improving your online citation profile and increasing your local search rankings from Google.

2

Moz Local

This tool manages your NAP, its distribution, and accuracy. Moz local also distributes your location data across the search ecosystem and helps search engines and in turn, new customers find your local business.

3

Bright Local

Their local SEO tool lets a business track movements in its local search ranking, citations, and manages the Google My Business profile.

4

SEMrush

This is another prominent tool to monitor your position on a SERP. It correctly distributes your business data to authoritative directories, tracks ratings and reviews, and also audits your website to check if Google can crawl it or not.

The takeaway

Local SEO is a long-term effort and the tips we've discussed in this chapter are a small start. The above-mentioned tools can perform an overall audit of your online activities to identify opportunities to improve the performance of your business in local searches.

Remember, the guiding principles for all your local SEO tactics for Google centre around [how Google determines local rankings]:

1. **Distance:** How close is your business to the searcher?
2. **Relevance:** Is the search query a relevant match for your products and services?
3. **Prominence:** How well-known are you as a business? What do other consumers say about your products and services?

Whether your business is a sole proprietorship or a corporation, a key factor to success and making it profitable is ensuring you optimize it for local SEO.

Ready to register your business? We can help you with that.

Register My Business

Three

What is ROAS or return on ad spend?

Now for the nitty-gritty of data extrapolation and interpretation. Don't worry, it's not as complicated as it sounds. In the next two chapters, we'll go over some of the more detailed aspects of extracting and interpreting marketing data so you can better market your business.

Fundamentally, marketing is all about understanding data and metrics. Whether you're a professional marketer or an entrepreneur doing the marketing for your own business, it's very difficult to understand if your marketing and advertising efforts are making a difference if you don't know how to collect and interpret the relevant data.

There's a range of metrics that can be used to measure the effectiveness of an advertising campaign. It's helpful to look at as many as you can since they each offer a slightly different piece of information. Return on ad spend, or ROAS, is a particularly useful metric. Digital marketers can use ROAS to adjust their campaigns and make them more profitable, shut down campaigns that aren't delivering results and divert those funds elsewhere, and boost spending on very successful campaigns to increase profits for the business.

ROAS measures how much your business makes for every dollar spent on marketing or advertising.

What is ROAS, exactly?

ROAS measures how much your business makes for every dollar spent on marketing or advertising. It is a matric that helps businesses understand if they are spending their advertising dollars efficiently, or if they could be better spent on an improved ROAS.

ROAS alone can't tell the whole story of whether your business is operating efficiently, but it is a powerful metric that can help you increase your bottom line. Together with other useful metrics, it can help you make sure your business is profitable and sustainable in the long term.

How can I calculate the ROAS for my business?

You might look at the term "return on ad spend" and be reminded of "return on investment," or ROI, another important and widely used marketing metric. The two are similar but distinct.

A helpful way to think about the distinction between ROAS and ROI is that ROI is a more bird's-eye view metric that you can use to gauge overall efficiency of your marketing efforts or a whole marketing department, while ROAS is a more zoomed-in metric that can help you understand each campaign or even a single component of a campaign.

Let's take a look at the difference between how ROI and ROAS are calculated. By comparing the calculations, the usefulness of gathering return on ad spend data will become clearer.

To calculate your return on investment, the formula used is:

$$\left(\frac{\text{Net Revenue}}{\text{Cost}}\right) \times 100 = \text{ROI}$$

Let's say you make a product that sells for \$500. You spend \$1,000 on an ad campaign, and as a result, you sell tens of units of your product for a total of \$5,000 in revenue. Let's say the cost for you to produce each unit of your product is \$100, so the cost of producing the items you sold is \$1,000. The cost of your campaign plus the cost to produce the items you sold is \$2,000. Plugging these numbers into the equation for ROI, you get:

$$\left(\frac{\$5,000}{\$2,000}\right) \times 100 = 250\%$$

You can interpret this by saying that your investment in your business has a 250% return. This means you are making a profit. If your ROI were 100%, you would be simply breaking even. In other words, a dollar spent on your business would return a dollar to you.

To calculate return on ad spend, the formula used is:

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

Using the same scenario from the ROI calculation, we can plug the numbers into the formula and get:

$$\frac{\$5{,}000}{\$1{,}000} = \mathbf{5}$$

As you can see, ROAS isn't stated as a percentage return. Instead, it tells you how many dollars in revenue your business makes for every one dollar spent on advertising.

Comparing the ROI calculation with the ROAS calculation, you can see how ROAS focuses on revenue rather than profit, and how the relevant cost is just the spending on a specific ad campaign or component of that campaign, rather than on all of the costs associated with selling a product. They are both useful, but ROAS helps you get a more granular understanding of the effectiveness of your advertising and marketing spending.

Is ROAS the same as CPA?

Maybe you've come across the term "cost per acquisition," or CPA. Isn't that basically the same as return on ad spend?

Well, not exactly. If every acquisition had the exact same value, the two metrics would be similar. But for most businesses, acquisitions can vary in their value.

Let's first consider a scenario in which the CPA is the more useful metric. Consider a business whose product is an online course, and each new person who registers to the course pays the same amount. There are no price tiers for different levels of access or different courses offered at different prices. In this scenario, each new acquisition actually has the same value, so knowing your CPA is a very useful piece of information.

Now consider an ecommerce business. If you have an online shop, one new customer who found you through an ad might spend $50 while another spends $300. When calculating the cost per acquisition, you might find out that it cost you $10 to acquire each new customer.

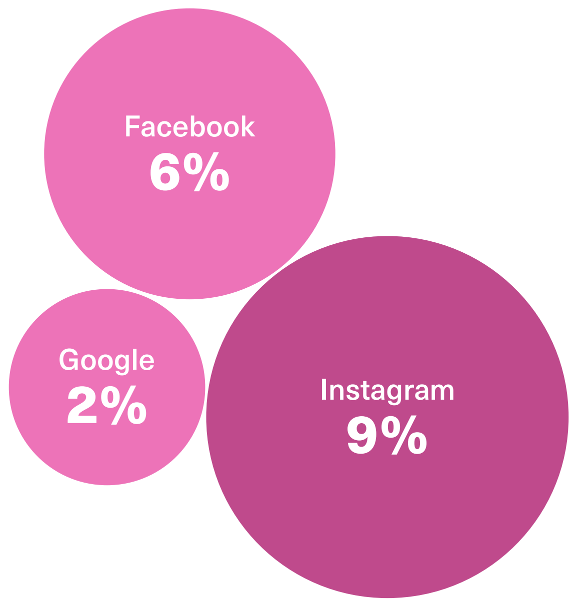
The CPA will tell you how much it costs to acquire each customer, but it doesn't tell you how much revenue your business brings in from each acquisition. Clearly, the $10 spent acquiring the second customer was better spent than the $10 spent acquiring the first customer since it returned $300 to your business instead of just $50.

In the example of the ecommerce store, wouldn't you want to know how to spend your ad dollars so that you make $250 for every $10 spent, instead of just $50? This is where return on ad spend comes in. You can use the ROAS calculation above to calculate the return on a specific campaign, a specific ad, or even a specific keyword. By getting very detailed in this way, you can optimize your spending for the highest ROAS possible.

How is click-through rate (CTR) related to return on ad spend?

Another performance metric that you may have come across when learning about marketing metrics is the click-through rate, or CTR. The CTS should also be considered when you're evaluating the success of your ad campaigns, but it becomes much more valuable when you look at your CTR in combination with your ROAS. The more data you have, the more powerful your marketing strategy becomes.

Consider a scenario in which you run ads on three platforms to see which one is best for your business. Your click-through rates for the three platforms are as follows:



If you only know the CTR and nothing else, you could reasonably conclude that your Instagram ad is the most effective since it's getting the most clicks. However, the click-through rate alone can be deceiving. Adding the ROAS might provide a different story.

Platform	CTR	Conversion Rate	ROAS
Facebook	6%	20%	5
Google	2%	10%	3
Instagram	9%	5%	3

In this example, while Instagram has the highest click-through rate, it has the lowest conversion rate out of all three platforms. It also has the lowest ROAS, meaning that for every dollar spent advertising on Instagram, your business makes less than it does for every dollar spent advertising on Google or Facebook.

Although Facebook has a lower CTR, it has a much higher conversion rate, and your ad dollars are well spent there because for each dollar spent, your business makes five dollars back.

There are lots of possible explanations for the high CTR on Instagram, resulting in lower conversions and a lower ROAS. Digging into possible explanations can help you improve your ad strategy. For example, maybe something about your Instagram ad is appealing to the wrong kind of customer; someone who isn't actually interested in the product you are selling. You may not be reaching your niche market (for more on niche markets, check out Chapter 2). They see your ad because your keywords match their interests, and they like the ad enough to click it, but there is some disconnect between what made them click and what makes them choose not to convert.

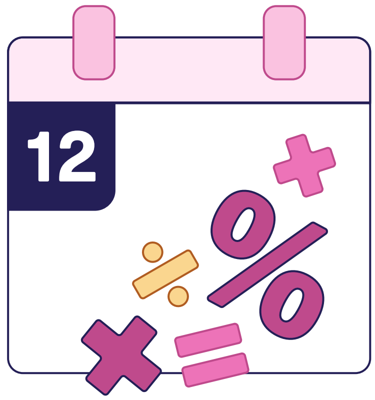
A potential strategy would be to change the keywords you use in your Instagram ad so that you can get in front of a higher converting set of potential customers. You might look at the metrics for your Google ad and conclude that your ad dollars are better spent advertising on Facebook or Instagram.

What makes ROAS such an important metric?

Ultimately, entrepreneurs are in business to make money. While other performance metrics can help you gauge how much interest there is in your product or how successful your campaign is in creating awareness about your brand name, ROAS is uniquely useful in helping you understand if your advertising efforts are actually making money for your business.

As you can see in the example above, looking at your ROAS for individual advertising campaigns can give you valuable insight that you won't find simply looking at CTR or CPA. Of course, all of these performance metrics have value, and the more data you can collect, the better your decision making will be.

Regularly doing a ROAS calculation can help you do more than just shuffling around your advertising dollars until you increase your return on ad spend. It can help you improve the ads themselves. For instance, you can run A/B tests on the same platform to see which converts better, and continually do this to improve your results.



You can also use ROAS to improve your website's landing page, product pages, or even pricing structure. For example, if you're getting a very good click-through rate but low return on spend, you might want to look at what customers are doing when they actually land on your website. Do they click away shortly after they land on your home page? If so, that page may need an update to appeal to the people who are being drawn in by your ads.

It's also possible that they stay on your website and click on your various product pages but leave without buying. Perhaps your prices are too high, or maybe it's as simple as updating the copy or product photos on those pages to entice visitors to purchase. Using a website builder, you can easily update these pages yourself.

You might even find yourself in a situation where your click-through rate is high, your CPA is low, but your ROAS is still not very high. In other words, people are clicking your ads, enough of them are convinced by your value proposition to convert so that your cost to acquire each customer isn't too high, but your return on ad spend is still low. What could be going wrong? It's possible that in this case, your prices are actually too low for your target market. You might have better ROAS, and better margins overall, if you increase prices or increase your MOQ.

All of this analysis becomes possible when you have this handy bit of data, making it an important tool for any marketer or entrepreneur.

What should my ROAS be?

If you're calculating your ROAS for the first time, you might wonder what that number should actually be. While a higher ROAS is, of course, preferred, the ideal number will vary from one business to the next. There is no one size fits all that can apply to all businesses in all situations.

Businesses often have varying goals for the outcomes of their advertising campaigns. For example, the purpose of your advertising campaign may be to raise awareness of your brand and logo. In this scenario, a low ROAS may not be such a big deal, since there are still many people seeing your ad and becoming more aware of your product or service each time.

Even if the purpose of your ROAS is to generate awareness, you still don't want to be losing money on your advertising efforts. A ROAS of one means you're just breaking even, so anything below that indicates that your business is losing money through its advertising efforts.

However, a ROAS above one might still not be helping your business. For example, you might get one dollar in sales for every dollar spent on advertising, but lose money once you factor in the cost of delivering the sold goods to your customer. In this case, it may be that a ROAS of 1.5, or even higher, is your actual break-even point.

As a general rule of thumb, a ROAS of less than three is considered too low to be worthwhile. At this return on ad spend, considering the other costs that you likely incur in order to deliver your product or service, you may be losing money or barely breaking even. Again, variation from business to business is significant, and you know your business best.

For example, if you sell a digital product that costs nothing extra to deliver each time someone orders it, a ROAS of 3 might be perfectly sustainable for your business.

A ROAS of 4 is profitable for most businesses, while a ROAS of 5 or higher is considered very good.

How can I increase my ROAS?

So, what can you do if you calculate your return on ad spend and find that it's low? What if it's under three, and likely costing you more than it's worth? With digital marketing being as sophisticated as it is today, there are many tweaks you can make to improve your return on ad spend and make more money for your business.

To improve your ROAS, consider:

- **Double-checking for accuracy.** It is possible that you are not capturing data correctly. For example, the attribution model that you use in Google Ads can impact your ROAS significantly. If you are using a last-click attribution model, it might look as though your ad is not converting, even if it made an impact on your customer's decision-making process. Consider switching to a linear attribution model.
- **Make use of negative keywords.** Did you know you can add negative keywords when you create your Google Ads? Populating the negative keywords field when you create an ad will help you avoid getting low-quality clicks and blowing through your budget. Find out which keywords don't convert for you and add them to the negative keywords list.
- **Bring your advertising in-house.** If you've hired an employee, agency, or virtual assistant to manage your advertising and aren't seeing a high ROAS, it may benefit your business to bring these activities in-house or do them yourself for now.

How can I make the most of Google AdWords to improve my ROAS?

In addition to the two tips we've already covered, optimizing your homepage and making strategic use of Google Ads negative keywords, try these ROAS Ad Words tips to improve your ad performance and increase your bottom line:

1

Modify general keywords with branded terms. The goal for good ROAS Ad words is to achieve a high "Quality Score" from Google. A high-quality score means Google will boost your ad ranking, and your overall cost per click will be lowered. Boosting your ad ranking means more people who are interested in your business will see it, and a lower cost per click will help reduce the "cost" side of the ROAS calculation. So, how can you boost your Quality Score? Branded terms tend to perform well when used properly, so try modifying your keywords with branded terms. For example, a camera accessories company called Smith's could use the term "+ Smith's + camera + straps." This way, they would get hits from people searching for them specifically, as well as from people searching for the general terms after the brand name. Those keywords should also be used as SEO terms when optimizing your website. For more on SEO, check out Chapter 2.

2

Increase bids for the regions where your ads are performing well. In your "Dimensions" tab, you will be able to sort your ad results by geographic performance, and you might be surprised by what you find. Increasing your bid for those areas could result in higher visibility, precisely where people are the most interested.

3

Keep an eye on what people type into the search field when they convert. You might find new terms that you hadn't considered yourself, that you could build into your ROAS Ad Words for better results.

Are there any important limitations or considerations I should take into account when calculating my ROAS?

There are a few important dimensions of your business that aren't captured by return on ad spend alone, and that you should keep in mind when calculating your own ROAS and deciding what to do with the data.

For example, every business will have a different profit margin when they sell their product or service. If you have very large margins, you can get away with a lower ROAS and may even increase your bottom line significantly by doing so.

Another consideration is your production and operating costs. For instance, the operating costs for a home-based business may be much lower than those for a business that has to rent an office and hire employees. Ecommerce shipping costs may vary depending on the type of product a business produces. These costs may increase with each additional unit you sell, and the increase in revenue must cover these costs in order to be worth pursuing.

The takeaway

Your ROAS should be considered holistically, along with all the other data and metrics you have for your business. Taken in this context, it is a valuable metric that can take your business to the next level.

Got to grips with some metrics? Let's put them into action.

Four

Your guide to calculating customer acquisition cost

This is a powerful metric that can help you make smart spending decisions for your business, so it's well worth the effort to dig into your numbers and figure out the CAC for your current business model.

What is customer acquisition cost, exactly?

As an entrepreneur, you know that you have to spend some money to make money. Even if you have an incredible product that the market desires, you still have to find ways to get in front of your target audience and convert them into paying customers.

Although there are some great ways to market and advertise for free or at low cost, capturing new customers typically comes at a price. In a healthy, sustainable business, the income you earn from the new customer will more than offset the cost of acquiring them.

The customer acquisition cost (CAC) is a measure of how much your business spends over a given time period to attract one paying customer. It takes into account all that your business spends on acquiring new customers, and how many new customers are gained over that period of time.

The customer acquisition cost (CAC) is a measure of how much your business spends over a given time period to attract one paying customer.

Why is calculating CAC so important?

Knowing your cost of acquisition can help you make sure that you aren't spending an unsustainable amount of money to acquire new customers. In the worst case, spending too much on customer acquisition can lead to a business having to shut down since they will not be recouping their cost.

However, even if your current CAC is sustainable, you might be able to improve the profitability of your business by reducing your cost of acquisition.

By calculating your customer acquisition cost, you'll be able to see just how much it costs you to gain a new customer, where the majority of that cost is coming from, and how you may be able to reduce your CAC and become more profitable. Below, we'll discuss the different ways you can use your CAC to make decisions about your business.

It is also important to understand your customer acquisition cost if you plan to seek out business funding, such as a bank loan or venture capital. Your lender will want to know your cost of acquisition so that they can judge if your business has the potential to grow without running out of capital.

How to calculate customer acquisition cost

To calculate your CAC, you will need to add all of the costs associated with sales and marketing for a given period and divide this by the number of new customers gained over that period. The calculation is as follows:

$$\frac{\text{Sales \& Marketing Dollars Spent on Acquiring New Customers}}{\text{Number of New Paying Customers Acquired Over a Given Time Period}} = \text{CAC}$$

For example, if you spent $5,000 this month on sales and marketing efforts, and managed to land 2,000 new customers, your cost of acquisition would be $5,000/2,000, or $3.

In order to calculate the number of sales and marketing dollars spent over the relevant time period, there are a few different categories of spending that you should add together. These include:

- Advertising spend, such as money spent on pay-per-click ads, social media ads, email marketing spend, and paid influencer campaigns
- Sales-related costs, including salaries for inside or outside sales staff, if applicable, bonuses and commissions, POS systems, and any software you may use to support your sales efforts
- Cost of travel associated with generating sales
- Office space for sales staff
- Content production costs, such as product photoshoots

The best way to calculate sales and marketing costs for your business is to look at all of your receipts for a given period and include all of the expenses that can be filed under sales and marketing in your calculation.

When it comes to identifying the number of new customers acquired, that is a more straightforward number to calculate. Take a look at all of your sales for the period in question, and make sure to subtract any repeat business. When calculating your customer acquisition cost, you'll want to make sure you're only taking into account new customers gained over that period.

In the example above, you may have made 2,200 sales over the given period. If 200 of those customers are repeat customers, your CAC calculation will remain the same because you would only include the 2,000 newly acquired customers in your calculation.

$$\frac{\$5{,}000}{2{,}000} = \$3$$

A cost of acquisition example

Imagine an ecommerce business that sells kitchen appliances. Imagine an ecommerce business that sells kitchen appliances. They are a direct-to-consumer brand, or B2C, so all of their sales are online rather than through retailers. Since this is their business model, they do not have sales staff. However, they may have to spend a lot on targeted Google ads and on campaigns with food influencers.

They could choose to calculate their cost of acquisition for a period of one month, one quarter, or even more. In our example, let's say they are calculating their CAC on a quarterly basis so that they can compare it to the previous quarter and try to make incremental improvements. A simple customer acquisition cost calculation for them may look like this:

Acquisition	Cost
Website hosting and maintenance fees for ecommerce store	$1,000
Email marketing fee	$4,000
Google ad spend	$10,000
Facebook and Instagram ad spend	$10,000
Paid partnerships with food and cooking influencers	$5,000
Ad campaign in upscale food magazine	$5,000
Salary for employee handling all marketing	$15,000
Marketing employee's expenses for their home office	$1,000
Photographer, videographer, and studio rental fee for product shoot to create images and video for web and advertising purposes	$5,000

Total
$56,000

Over this quarter, the business acquired 250 new customers. This means that the customer acquisition cost is $56,000/250, or $224.

That may seem like a high cost of acquisition, but whether this is a good cost of acquisition for this business will depend on how much revenue each new customer brings the company. This is why CAC is usually discussed in conjunction with a customer's lifetime value, or LTV.

Calculating the ratio of customer acquisition cost to lifetime value

As is the case with most business metrics that entrepreneurs take into consideration, CAC is most valuable when considered in relation to another metric. The ratio of CAC to lifetime value (LTV) is a far more valuable piece of information than just CAC alone.

So, what is your customer LTV? To calculate, go through the following steps for a given time period. Usually, a year is used:

1

Calculate your average purchase value, or average order value (AOV). To do this, simply divide your total revenue for the period and divide it by the number of purchases.

2

Next, calculate your average purchase frequency rate by dividing your total number of purchases by the number of customers for that time period.

3

Now you can calculate your average customer value by multiplying the average purchase value by the average purchase frequency rate.

4

Calculate your average customer lifespan by adding up the lifespans of all your customers and dividing this by the number of customers.

5

Now you have all the information you need to calculate your customer LTV: just multiply your average customer value from step 3 by your average customer lifespan in step 4.

Your lifetime value tells you how much revenue, on average, each customer will bring to your business over the course of the time that they are customers. The reason this is such a helpful metric when calculating customer acquisition cost is that a higher lifetime value can justify a higher customer acquisition cost.

Let's go back to our example of a kitchen appliances ecommerce business. Their LTV calculation might look something like this:

1

Average purchase value:

$$\frac{\$50{,}000}{250 \text{ customers}} = \$200$$

2

Average purchase frequency rate

$$\frac{500}{250} = 2$$

This means each customer makes an average of 2 purchases per year.

3

Average customer value

$\$200 \times 2 = \$400$ annually

4

Let's say the average customer lifespan for this company is five years, with the same average customer value annually.

5

Based on this information, the LTV is

$$\$400 \times 5 = \$2{,}000$$

The ratio of LTV:CAC for this company, based on our example, is

$\$2{,}000 : \$224$ or $8.9 : 1$

Since a LTV:CAC ratio of 3:1 or higher is considered healthy in most industries, this company has an excellent ratio. It is also generally considered important that a business can recoup its CAC within one year. This might not apply to some rare businesses with a very long sales cycle that can take more than a year, such as certain types of software businesses.

If a company that sold a $20 product with an average customer value of $60 per year and a lifetime value of two years, the CAC of $224 would be way too high, and they would go out of business. This is why the ratio of LTV:CAC is so important. It communicates whether or not your sales and marketing spend is justified by bringing in revenue and growing your business.

What affects my customer acquisition cost, and how can I make sure I have a healthy LTV:CAC ratio?

Many factors impact both your CAC and your LTV, so you can manipulate parts of your business to try to boost your LTV while lowering your CAC for a better ratio.

Reduce your CAC

When it comes to your customer acquisition cost, you can examine your sales cycle from beginning to end to see if there are parts that are costly and perhaps unnecessary. Look at all of the expenses that you included in your CAC calculation and see if any of that money can be better spent or reduced.

For example, if you have an outside salesperson who is on the road visiting potential clients, you might be able to reduce that cost by switching to inside sales. This way, you save on travel costs and other expenses, such as trade show attendance, incurred by outside sales.

You can also break down your advertising spending by channel and examine your analytics to see which channels are most effective. You might be surprised that, for example, Instagram is providing a better return on ad spend, or ROAS, compared to Google Ads. In this case, you could transfer some of your Google Ads dollars to Instagram, which may boost your sales and reduce your CAC.

A/B testing, such as showing website visitors two different landing pages with two unique offers and seeing which page converts better, can help you make regular changes that lead to more sales conversions. Improving your website's SEO may also make a significant improvement to your cost of acquisition.

Looking at no- or low-cost ways to get in front of more customers is another great way to reduce your cost of acquisition. If you don't already have a customer referral program, this can be an excellent way to reduce your CAC.

Depending on the type of product or service you provide, you may even be able to provide free trials at low or no cost to you, which can be a great way to land new customers. Alternatively, offering free products to influencers may greatly boost the exposure of your brand to potential buyers.

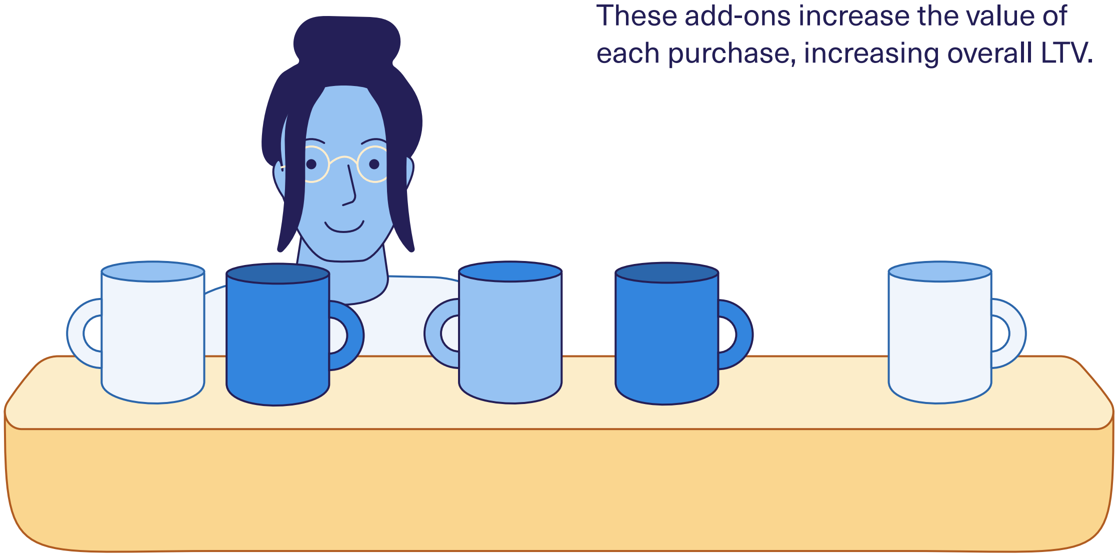
Increase your LTV

Since we are talking about a ratio, you can also take action to impact the LTV side of your LTV:CAC ratio. If you increase your customer lifetime value, your overall ratio will improve.

If you have high churn rates, meaning customers only buy from you once and don't repurchase your product or service, that may be a clue that you can take action to improve their lifetime value. Perhaps your customer satisfaction is low, and there are steps you can take to improve your product so that they want to remain loyal customers.

Alternatively, they may love your product but do not have choices for other things to buy from you. In the example of the kitchen appliances ecommerce company, if their only product is a high-end electric kettle, their customers might love the product but have no reason to buy from them again because the kettle will last them for many years. In this case, that company might greatly improve their customer LTV by expanding their product line.

They can also try to increase their average purchase value by up-selling and offering add-ons, such as specialty filters for the kettle or a mug set that can be purchased with the kettle. These add-ons increase the value of each purchase, increasing overall LTV.



The takeaway

As you can see, calculating your customer acquisition cost and your CAC:LTV ratio can empower you with information that lets you make smart decisions about your business. You might wonder how you can apply this information if your business hasn't launched yet, so you don't have sales data.

In that case, you can still gather data to come up with reasonably informed guesses of your CAC and your sales data. When you write your business plan, you may already collect lots of data that applies to calculating a realistic potential CAC and LTV. Doing this in the early stages of setting up your business will give you better chances of maintaining a good CAC:LTV ratio from the beginning.

Keeping an eye on important business metrics such as customer acquisition cost is a key part of the job of any entrepreneur, no matter what industry you're in. These metrics provide actionable data, information that can help when seeking access to funds, and warning signs in case there are changes that need to be made to your business model. Now that you know how to calculate your own cost of acquisition, you can arm yourself with the information you need to make the best choices for your business.

**Before you start acquiring customers,
you're going to need to register your business!**

Register My Business

Five

Conclusion: a few advertising techniques you can start using today

So, what can you do right now? No matter how incredible or unique your product or service is, customers have to find out about it for your business to succeed. That's where advertising comes in. Advertising encompasses all the ways you can let your potential customers know who you are, what you offer, and why they should support your business.

Many new entrepreneurs understandably hesitate to invest a lot of money in advertising, since it can feel a bit like gambling when you're just getting started. There is no perfect advertising formula that works for all businesses, and all the advertising methods on offer today can feel overwhelming.

The good news is there are many ways small businesses can start advertising without breaking the bank. As an entrepreneur, by trying out these different advertising techniques and seeing what works best for your business, you'll learn where it's best to invest your advertising budget and attention for maximum results.

Advertising encompasses all the ways you can let your potential customers know who you are, what you offer, and why they should support your business.

9 advertising methods for small businesses

Before we go over how to choose which advertising techniques are best for your business, let's look at the range of potential options available to small businesses. You can implement these methods for free or with a small budget, and you can always choose to increase your spending on a particular technique that is proving to be useful for your business.

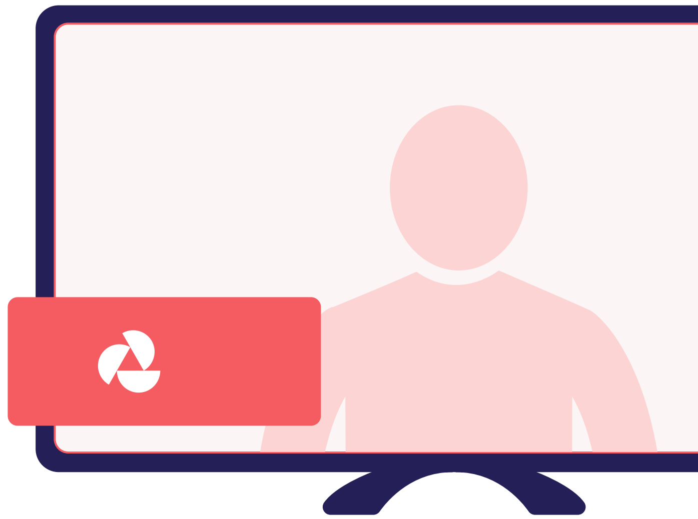
1 Social media marketing

We've already covered this to some extent, but it warrants reminding: social media marketing can be a valuable resource, particularly for small businesses. Social media marketing includes advertising on platforms such as Facebook, Instagram, and LinkedIn. While you can buy ads on any of these platforms, there are other ways to use them to gain exposure. For example, conducting a giveaway contest for your product or service that requires users to share your page to enter will expose your business to new potential customers.

Maintaining a well planned out social media profile that is in line with your [business branding](#) can go a long way as an advertising technique. An excellent social media profile that stands out from the competition can be an effective and free way to advertise to your potential customers.

2 Google ads

Google Ads allows you to advertise to potential customers when they search for specific terms on Google or as targeted ads as they surf the web. You can set a small monthly budget to start, and increase your budget as you see what works for driving traffic to your site and getting new customers.



3 Broadcast advertising

While fewer people listen to the radio these days, podcasts have become extremely popular. If there is a podcast in your [niche](#), inquiring about the possibility of advertising on that show may give you access to a targeted group of potential customers.

4

Speaking engagements

While people may not be gathering in person for conferences and other events very much at the moment, you might be able to participate in online events in your industry. Speaking as an expert in your field can help establish you and, therefore, your business as trustworthy and knowledgeable.

5

Print advertising

Print advertising is similarly decreasing in popularity in favour of digital advertising. Still, you might find great results by advertising in publications that have an audience that overlaps with your target audience.

6

Trade shows and networking

There's nothing quite like a personal connection with someone. Attending or displaying at trade shows in your industry can help you connect with potential customers and also stay informed on how competitors are positioning themselves, which may give you some ideas for advertising strategies.

7

Public relations

You don't necessarily have to hire a PR expert to gain exposure. You can create your own press release with news about your business and submit it to publications and websites that may be interested in sharing the information. Nowadays, online publications need to create a large amount of daily content to keep visitors coming to their site, so many are happy to receive relevant press releases.

8

Email marketing

Like social media, we've covered email marketing fairly extensively, but it warrants mentioning here. You can run email marketing campaigns for free with platforms like Mailchimp. In general, email marketing continues to bring excellent ROI compared to other advertising methods.

9

Referrals

You can make use of the power of word-of-mouth referrals by creating a referral program to incentivize existing customers to spread the word about your business. Reward them when the people they referred become customers. This way, you don't have to spend any advertising dollars up-front.

How to choose the right advertising techniques for your business

While there is a wide range of advertising methods to choose from, they aren't all going to be the best choice for your business. As an entrepreneur, you already have a lot of tasks to juggle, so managing a wide array of advertising techniques at once would be overwhelming and probably ineffective. When it comes to choosing the best methods for your business, it's best to be strategic.

Come up with a budget for your advertising methods

When creating your plan, the first step is to determine how much you are willing and able to spend on marketing and advertising. If you're just starting out and have very limited finances, that budget may be zero. Even if this is the case, it doesn't mean you have to give up on advertising altogether; it just means you have to choose advertising techniques that don't require spending up-front.

Through budgeting, you can make sure that your plan is realistic and that you don't accidentally overspend. As you spend more on advertising, you can calculate your ROAS (return on ad spend) to see which advertising techniques are most profitable so that you can invest more in those.

Define your goals

Some advertising techniques are better suited to meet certain goals than others. Before choosing your advertising strategy, spend some time thinking about what your desired results are, as with any goal, the more specific you are, the better.

Your goal might be to introduce people to your new brand, build stronger brand awareness, increase your sales and profits over time, build your mailing list, or get an immediate sale.

Let's say your goal is to build your mailing list. You know that email marketing is a great way to stay connected to your customers and keep your brand top of mind, but your current list is short. Just saying "I want to build my mailing list" is too vague of a goal. A more specific, measurable goal would be, "I want to add 200 email addresses from interested potential customers to my mailing list."

This goal helps you narrow down the potential list of advertising methods. For example, a print ad or PR campaign might not be the best way to go. Instead, creating a google ad that tells the potential customer they can save 20 per cent on their first order by signing up for your newsletter is more likely to get people who are interested in your product to sign up.

By making your goal measurable, you can do things like run two ads and compare the number of new email addresses gained from each one. This way, you'll refine your ad creation and copy skills and learn what works for your target customer base.

Define your target market

When you start a new business and create a business plan, defining your target market is an important step. When determining which advertising techniques to use, refer back to your target market and even your more specific market segments. A different advertising strategy may best reach each market segment. For example, if you have a jewelry-making business, one market segment you try to reach may be millennial women interested in minimalist fashion. In contrast, another segment may be the retailers that sell to this type of consumer. Advertising on Instagram may be a great B2C (business to consumer) strategy to reach your customer directly, while showing at trade shows may be a better B2B (business to business) advertising method to connect with potential retailers who might buy your designs wholesale.

Consider your sales funnel

Your ideal advertising strategy may require a few different advertising methods in order to reach customers at each part of the sales funnel. You can think of your sales funnel as the path that takes your customer from first hearing about you to become a paying customer. You can divide the sales funnel into three sections: the top of the funnel, where they first encounter your brand or business, the middle of the funnel, where they re-encounter your brand through targeted ads or other means, and the bottom of the funnel, where they make a purchase or become a client.

The takeaway

Choosing your advertising techniques strategically by considering your budget, goals, target market, and sales funnel is a great way to get the most out of the many advertising methods available to small business entrepreneurs. From digital advertising to new media, such as podcasts and more traditional advertising techniques like print media, you have many potential ways to reach your customers. Sometimes the hardest part is starting; start small and see what works best for your business.

If you're feeling like a digital marketing pro, why not start your business today?

Register My Business

ownr

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