Cost-per-click: digital marketing campaign estimate.

by Sergei N Freiman *February 28, 2022*

Oftentimes small business managers underestimate the importance of necessary planning and rush into paying for clicks. This usually results in disappointment. Under-budgeted digital marketing campaigns tend to perform poorly. In this article you will learn how to accurately estimate the funds required for your next CPC campaign.

Digital marketing campaign is all about the game of numbers. The more people can see your online ads the higher the chance of getting more clients for your business.

Once you've managed to create a good quality website for your small business you will start looking at how to drive traffic to it. In order to get real clients you need to have prospects. But first you will need to get qualified leads. To attain good quality leads your website has to have visitors.

The long-term strategy of acquiring a steady stream of users is based on Search Engine Optimization (SEO) best practises. The short-term strategy is based on paid online ads. Cost-per-click (CPC) or **pay per click** (PPC) bidding is one of the ways how to advertise your services and your company. Cost-per-mile (CPM) otherwise called as cost per thousand views is another way how to advertise online.

How does cost-per-click bidding work?

First, you have to create compelling copy for your ads. You will have to choose keywords for each specific ad to get triggered. You will then select the target audience for each online ad. You will set a **bid cap** not to go beyond a certain price point for the clicks. That's when you'll be ready to launch your digital ad campaign.

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Anyone who clicks on your ad will arrive onto a designated page on your website. This way your company secures a visitor. A web **visitor is a far cry from a client**, however.

Keep in mind — every time there is a click, your company pays for that click based on the at-the-moment bids on similar, competing keywords. Here is a good brief explanation of the CPC: https://support.google.com/google-ads/answer/116495?hl=en. In order to plan your online advertising budget properly you have to understand the mechanics and industry benchmarks of online ads.

How to estimate a budget for a CPC campaign?

The legit question small business owners ask is **how much should we spend on online ads as part of our overall digital marketing investment**. In short, the answer is — it's different for every business.

More than that — it depends on your business objectives. In addition, one **CPC marketing campaign** will almost always differ in results and total costs from a similar CPC campaign.

Getting website visitors through CPC bidding

Anyone visiting your company's website is under no obligation to becoming your client. Think of this investment in terms of brand awareness. People who have visited your business website become aware of your company's existence and your offers. But that does not guarantee they would even come back.

You will be really fortunate if they would remember you as a solid alternative for future reference the first time they visit your web app. Some sources suggest that it takes at least seven appearances for an average person to remember the brand. Other data (from "*Guerrilla Marketing on the Internet*") suggests that people are more likely to make a purchase after being **exposed to marketing communications for at least 27 times.**

If your company's business objective is to boost brand awareness, an enticing copy should be enough to encourage people to learn more and click on your ad. In this case you should consider the CPM type campaign described further in this article.

If your business objective is to get clients, however, there are two more steps in between a visitor and a client — a lead and a prospect. Your ads' copy should target people who are more

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likely to learn more about your specific offer and its benefits rather than your company in general. A CPC campaign works best in this scenario.

Getting leads with a CPC campaign

The typical goal of a CPC campaign is to get leads. People who will be clicking on your ads will become visitors providing that your landing page is well-optimized and your website loads within a three-second threshold. Falling short on either of these two fronts will decrease the actual amount of visitors. Basically, you will get fewer visitors than the amount of clicks you've paid for — some people would just drop half-way.

A website visitor becomes a lead when they have provided their contact details through a form or dialled a phone number to leave their contact information with a customer support rep.

Conversion rates differ from industry to industry. The average conversion rate from visitor to lead is 2%. For every 1 000 people who will visit your website only 20 people will provide their details. Great landing pages are capable of converting up to 20% of visitors. But this is rare. It's also a combination of having a great ad copy, great landing page design, real demand, perfect timing and many other factors that are out of marketer's control.

In short — you cannot expect a high percentage of conversions from the get-go. The more unheard-of the offer is the less likely conversion rates will be high. It takes times for a marketing message to sink in.

Being in front of the right audience at the right moment in time also plays a significant part in the overall success of a marketing campaign. Creating separate, **ad-specific landing pages that are optimized for conversion** tend to increase the rate. Iterating, A/B-testing and tweaking the landing page also has positive benefits on the rate of conversion.

Getting prospects by leveraging CPC ads

A typical lead is different from the prospect in the following way. The lead is someone who had agreed to provide their contact details. This basically means that, for the moment, these people are OK with your business marketing to them.

A lead becomes a prospect when they show an authentic interest in hearing, knowing and learning more about your company's services. The lead converts into a prospect after making additional steps like: attending a seminar, meeting in person, conversing with your sales reps over email or messenger apps.

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The conversion rates of leads to prospects are very different for each industry and every company. If your SMB has been around for at least five years in the marketplace, you should already have this benchmark for your company.

Estimating the CPC budget keep this conversion rate handy to have a better understanding of how many leads it will take for your company to generate the desired amount of prospects.

Getting clients by investing in CPC advertising

Every company has unique prospect to client conversion ratio. Some SMBs can boast a 50% rate while others can only claim an average of 10%. This means that from a set of interactions with a hundred prospects only ten of them will become clients.

The definition of a client is quite important too as many businesses confuse what a client is. Think of a client as someone who had actually paid money for your services. Everyone else is a prospect, a lead, a visitor or just a member of the target audience.

If your small company's goal is to get a certain amount of clients, you should work backwards from this number and estimate how many prospects you will need, how many leads you will have to secure, how many website visits you will need to generate and therefore how many clicks you should expect to purchase with the help of **cost-per-click advertising**.

CPC example for a small company

Consider the following scenario. Let's say your company has been around in the marketplace for five years. You already have a predictable cash flow and a rather steady stream of clients. During a [thorough Brand Strategy workshop]() you've successfully identified your core target audience that you will be focusing your marketing efforts on. Now you need to **determine your budget for online CPC-based ads**.

You will have to work backwards. Think of how many new clients you want to get. Let's say your business objective is to get two new clients that will generate additional revenue in the excess of 90 000 USD per year. The average lifecycle of a client is five years. The average gross profit margin per client is 20%.

In this case your business is aiming at generating additional gross profit of (90k x 0.2 x 7) 126 000 USD in the next seven years. Starting from here we can calculate **how much we can afford to invest in CPC ads** to make this happen.

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Let's say that your company's average closing rate is 20% — with every ten prospects that you communicate with, two become your clients. This means that in order to get two clients you need to create 10 prospects.

Now let us be a little on the pessimistically-realistic side and plan that the conversion rate from leads to prospects will be 20% as well. Your sales reps will have to engage with fifty leads that have left their contact details in order to honestly identify only ten people as prospects.

In this scenario you will need to generate 50 leads to have 10 prospects that will turn into 2 paying clients.

Moving forward, we'll take the average visitor to lead conversion rate of 2%. In order for your small business to have 50 leads you will have to generate a traffic of 2 500 users. And that's how you estimate your budget.

If the **average cost-per-click for your industry is 5 USD** per click, you should expect to invest 12 500 USD in online CPC ads to get 2 500 people to visit your website. Only 50 people will leave their contact details, becoming leads. Ten of them will turn into real prospects interested enough to consider buying your services. And only two people of all the 2 500 visitors will become your company's new clients.

We have created a CPC campaign calculator for small businesses to estimate your digital marketing budgets easier. Make sure to check it out. It's a really useful tool based on a **simple CPC formula**.

How often should you run CPC campaigns?

Here is something many digital ad agencies and small businesses don't take into consideration. The CPC budget can and in our opinion should be spread out across several months.

In our experience the best results are achieved when your small business is targeting a tight audience over a period of six months. It is best to appear in front of your ideal clients at least once a week.

To achieve this, a **mix of paid and free digital marketing efforts should be applied to the overall digital marketing strategy**. For instance, you could launch your CPC campaign along with supporting social media posts and creative email blast. You could also *warm-up* your audience by running a CPM-based campaign prior to launching your main campaign.

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If after this six month period the analytics clearly show that your digital efforts were successful, you will not have any second thoughts about running another cost-per-click campaign.

Can every small business afford online ads?

The strategy you'll choose for your SMB depends on the overall budget and your business objectives. While it seems that any company can afford to pay 5 USD per click, business managers tend to underestimate the scale of the marketing campaign required to reach their business goals.

Throwing in 500 USD a month without proper research of keywords, without analyzing competition, without writing compelling copy for the ads, without creation of specific landing pages — neglecting these important constituents will inevitably result in much lower chances of success. Without the results you are more likely to get discouraged and eventually drop the digital marketing campaign altogether.

Rather than spending any money on online ads, our suggestion is to think the marketing campaign through. **The only justified excuse to spend any money on digital marketing is to establish a benchmark for future thought-through marketing campaigns**. Throw in up to a 1000 USD with an intent to *test the waters*. But have an honest expectation of not getting a single client out of this.

Please remember that these days a likelihood of achieving success using just one channel or marketing tool is rather slim. In most cases you will have to support your pay-per-click campaign on Search Engine Result Pages (SERPs) with paid ads on social media, a bi-weekly email blast and other industry-specific activities.

What are the benefits of a CPC campaign?

The benefits of cost-per-click bidding are with setting your maximum budget and targeting a certain group of people who are interested in specific keywords. The more effort you will put into researching your target audience and keywords the higher the chances of getting the right prospects.

Instead of advertising your services on a large billboard for everyone to see and dismiss, you could appear in front of the eyes of people who are more likely to respond positively to your offer. But keep in mind that competition is fighting for your clients' attention too.

Another benefit is with AB testing which allows you to change one component in your ad and measure the impact of the change.

Remember that if you plan thoroughly you will focus your efforts on capturing contact details of visitors. Even if they don't convert into clients in the first **six months during the CPC campaign** you still have their permission to market to them. This increases your chances of a sale in the future. And you will be able to exclude this group from future CPC campaigns making them more effective.

What are other ways to advertise online?

Apart from cost-per-click bidding as one the best ways to get leads here and now there are other ways to advertise online. Consider running a Cost-per-mile (vCPM) bidding campaign where your business will be paying for a thousand *viewable* impressions. This type of campaign is especially good when your company's business objective is brand awareness rather than leads.

When your marketing strategy suggests that "*warming up*" your target audience is better than exposing them to hard-sale ads, consider running a vCPM campaign first. This link has more details on the vCPM: https://support.google.com/google-ads/answer/6026409.

Remember the average conversion rate of 2%? Well, **expect the average click-through rate of typical CPM campaign ads** to be less than that. Subject to how compelling your copy is you can experience clicks as low as 0.2%. So for every 1 000 people who will see your ad only two people will click on it becoming a visitor. Of course you do remember that a visitor is a far cry from a client.

The awezzom question of the day:
How much should we budget into digital marketing to attain our short-term business objectives?

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