AACT Resource Library

Setting a Marketing Budget for Digital Campaigns

In marketing, the adage is you have to "pay to play." And businesses are taking this more seriously than ever. Depending on your theatre and its goals, knowing where to start can feel overwhelming.

This worry is normal. There's that looming question. "How much of our revenue do we have to put back into marketing to keep growing?"

In this article, you'll discover:

- The point of a marketing budget
- The importance of setting business and audience goals
- By-the-numbers guidelines for spending
- The value of looking at your competition
- The basics on figuring out what a customer is "worth"

1. The point of a marketing budget

Think of marketing as a steady drip, vs. a faucet you turn off and on. In other words, marketing is a long-term play.

That means a marketing budget does more than keep you on track financially. It's an investment in your growth.

Your marketing budget will help you know when to make those spends (monthly? quarterly? yearly?), where to make them (targeted digital ads? email marketing? social media?) and — as we'll see in the next section — why to make them.

2. The importance of setting goals

A marketing budget begins with understanding your theatre's goals, or how you want to grow — and your audience goals, or who you're trying to reach.

Business goals
Of course, the ultimate goal is the bottom line. But a theatre's business goals also run deeper than just revenue. For example, consider:

- Building your "branding" or visibility
- Reaching high-quality prospects or leads who are more likely to become patrons
- Engaging with (and retaining!) your current patrons

Audience goals

In the world of marketing, "audience" refers to the people you're trying to reach, for whatever purpose—attending a show, signing up their kids for a class, or becoming a donor.

Who is your *target* audience? They're the people you're delivering your marketing messages to. And knowing them is essential to spending your marketing money wisely (and not wasting it).

It's helpful to know:

- Are they the household decision-maker?
- What are their interests?
- Where do they live?
- What is their "buying intent" — in other words, how likely are they to purchase tickets, sign up their kids for a class, or become a donor.

For starters, talk to or survey your current patrons or donors, and create "buyer personas." In other words, find the essential characteristics, wants and needs in each of those three groups, and come up with selling points you can use to communicate to each group.

3. By-the-numbers guidelines for spending

Broad strokes, there are percentage ranges for marketing budgets. According to the Small Business Association:

- *Small businesses should spend 7-8% of their revenue on marketing*
- *Mid-sized companies should spend 10-12% of their revenue on marketing*

Remember, these are guidelines designed for for-profit businesses. Also, those rates might be higher. depending on your goal and your location.

Also, they're something to strive towards progressively. It's a mindset. And, if you haven't invested much in marketing before, it's a mindset shift.

4. The value of looking at your competition

It helps to know what you're up against. The higher your competition, the more you'll need to spend to compete and reach that audience. And for theatres, the competition includes the many other activities available to both adults and children.

To start, open up your browser and search for what you offer — "theatre classes for my kids near me" for instance. On that first page of Google, look at who shows up in the search results. This is your theatre competition.

Now try searching for "things for my kids to do near me" and see what shows up. This is the local universe of options you'll need to understand so you can plug into that for parents to consider.

Then do the above searches for "live theatre near me," "live theatre for kids near me," "etc.

Pro tip: Use an incognito browser to avoid your own search history clouding your results.

5. The basics on figuring out what a customer is "worth"

Once you've marketed for a while, you'll start seeing how much it costs to gain a customer. This metric marketers use is customer lifetime value, or CLV. It helps you answer a few key questions:

- How much does one customer spend?
- How much does it cost to get one customer?
- How many new customers do I want?

Once you know how much it costs to get a new customer, you can see how many marketing dollars it'll take to hit your revenue goals.

Determining your CLV takes a few layers of math, but in a nutshell, you'll need to know three key things over a period of six months to a year:

1. Your total revenue
2. Your total number of sales
3. Your total number of customers

From there, it's just a matter of math:

- Divide revenue by number of sales for your average purchase value (AVP)
- Divide number of sales by customers for your average purchase frequency rate (APFR)
- Multiply your APV and APFR to get your customer value (CV)
- Divide your CV by number of customers for average customer lifespan (ACLS)
- Finally, multiply your CV by ALCS for your customer lifetime value.

Next steps to setting a marketing budget

Quite a bit goes into creating a realistic marketing budget. But you now have a better flavor of what it takes. So what's next?

Start with determining your business goals. That's where it all begins. Then, explore short-term vs. long-term marketing. You'll likely want to account for both in your budget.