

WPROMOTE



ACHIEVING TRANSFORMATIONAL GROWTH WITH PROFIT- DRIVEN MARKETING



Prioritizing Profit is the Way of the Future

At Wpromote, we care about not only our clients' digital marketing strategies but also their business goals. Ultimately, that translates to their bottom line.

While profit-driven marketing isn't new, many brands still focus on metrics that distract from the true goal: profit.

The shift to profit-driven marketing begins with reevaluating traditional KPIs. Certain metrics have become so ingrained in marketing plans that there's no consideration about whether they are still relevant.

WHAT IS PROFIT-DRIVEN MARKETING?

This approach prioritizes profit above other metrics and uses volume and customer lifetime value to paint a fuller picture of long term success. While investment may initially appear to be less efficient, the profit-driven approach actually improves efficiency by maximizing results from top-performing customers. Instead of only optimizing within a certain budget, spending is flexible when the profit allows it.

The Majority Of Your Profits May Come From A Smaller Group Of Your Customers

In the below example, Campaign A looks to be the more efficient option. CPA is half that of Campaign B, and they have the same margin per conversion. But going beyond ROI shows that the profits for Campaign B are much higher and consequently justify the higher CPA.

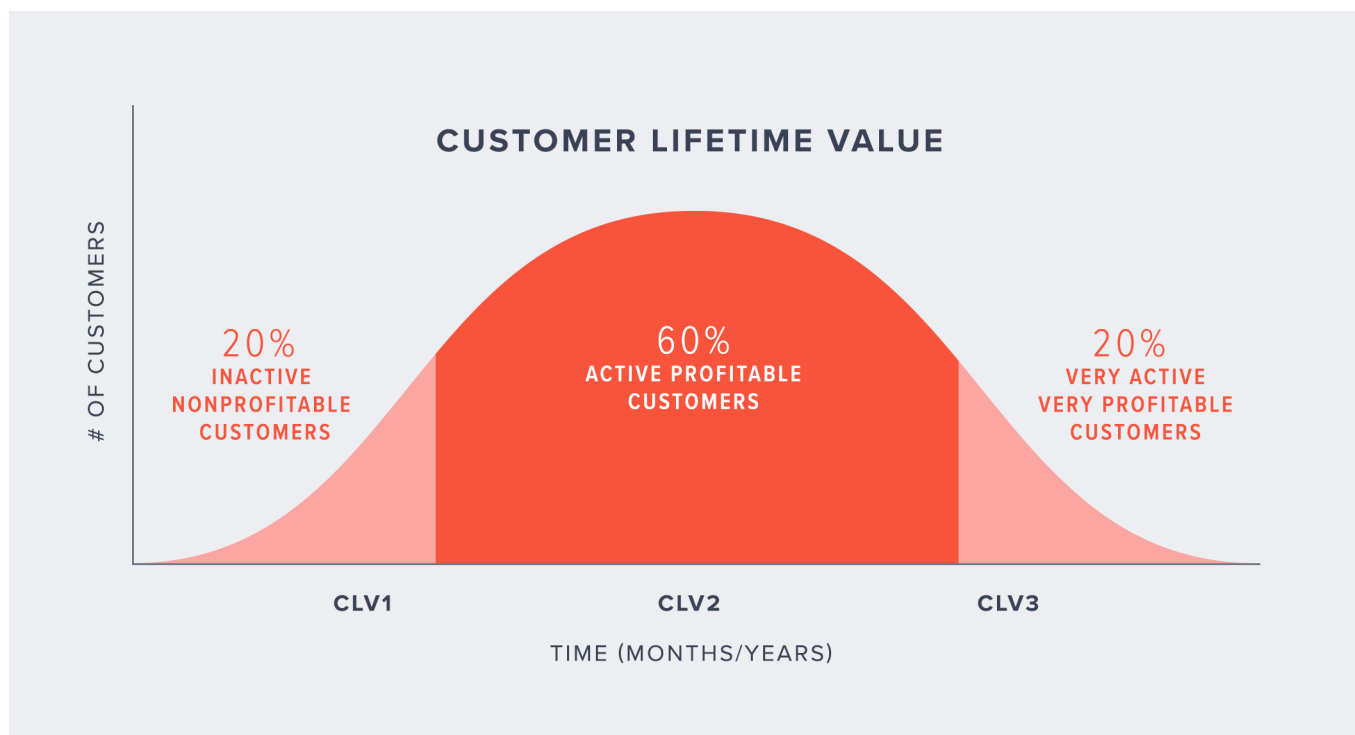
Which Campaign Is The Best?							
	CPA	Conversions	Margin per Conversion	Gross Margin	SEM Investment	ROI	Profits
A	\$50	10	\$1,000	\$10,000	\$500	20:1	\$9,500
B	\$100	30	\$1,000	\$30,000	\$3,000	10:1	\$27,000

Key idea: profits optimize the tradeoff between price AND volume

Without the full picture this important difference in profits would be lost.

In the same way, advertisers can bid appropriately on new customers as well. Using the 80/20 rule as an example, the majority of your profit may come from a smaller group of your customers. Investing more in prospects that look like current high LTV customers makes sense. As the predictive value decreases, so does investment.

Profit-driven marketing does require an advanced understanding and use of customer data, but the effort definitely merits the reward.



Key idea: to gain market share marketers should invest in their most profitable customers based on their lifetime value

WHAT DOES THIS MEAN FOR MARKETERS?

If this isn't part of your current marketing strategy, now is the time to shift the mindset. Competitors may already be utilizing this approach and gaining market share. Reassessing current KPIs and analyzing long term potential illustrates the logic behind this change. Everyone from paid search managers to CMOs and CFOs must begin to see marketing as a profit center and not a cost center.

While this mentality may be a change, it should be a welcome one. Businesses must always be

concerned about the bottom line, and prioritizing marketing profits keeps everyone aligned on goals and success. Profit-driven marketing may seem to represent the "it takes money to make money" adage, but it also requires clear insight into success metrics and long term growth plans.

Focusing on profits also highlight the important impact and accomplishments that marketing has on the business as a whole. Marketing should not be seen as only a cost center, and this solves that issue.



Basic Profit Formula

	X		X		-		=	
16 new customers		\$300 average order value		50% gross margin		\$1,280 Google Ads investment		\$1,120 profit
		CPC Bid	Total Sales	Value Per Sale	Cost Per Sale	Total Value	Total Investment	Total Profits
Baseline Performance		\$6	16	\$150	\$80	\$2,400	\$1,280	\$1,120

HOW SHOULD THE PROFIT-DRIVEN APPROACH BE IMPLEMENTED?

Marketers must know the metrics that support this approach. Customer lifetime value is key to leveraging a profit mindset. This metric depends on several factors that reflect each industry and business. Data will guide the way.

Once these metrics are defined, profit should be the main KPI that drives marketing decisions. Segmentation should be updated to reflect the difference in customer lifetime value and investment must align with profit goals as well. This will likely look very different, but that's the point!

Finally, stakeholders must get onboard with these changes and encourage the profit-driven approach. Without their support progress will be delayed or made impossible. But armed with data and a new set of KPIs, success will be on the horizon.

HOW DOES WPROMOTE USE PROFITS TO DRIVE RESULTS?

To be successful, we must achieve an in-depth understanding of each partner's business. We use extensive data analysis to model customer LTV and better predict potential outcomes. Armed with information, we're able to make smarter investment choices and recommend more efficient opportunities for our partners.

We've also seen the results that prove the value of this approach.

Even more compelling is the number of brands who don't utilize, or even understand, LTV. While there are challenges to advanced data analysis, only the brands that invest in digital intelligence will succeed and continue to grow in crowded markets and a complex digital landscape.

Ready to start prioritizing profit? [Learn more](#) about how Wpromote can help.

WPROMOTE

READY TO BE A CHALLENGER?



Contact Wpromote today and we'll guide you through our profit-driven digital marketing and more!

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