


Breaking Down the Numbers: How Much Does It Really Cost to Open a Sweepstakes?

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Have you ever wondered what it takes to launch a successful sweepstakes campaign? It's a question that many marketing professionals and business owners alike have asked themselves. While it may seem like a simple task, there are many factors that go into planning and executing a sweepstakes that can make or break its success. One of the biggest factors is the cost of launching a sweepstakes. From legal fees to marketing expenses, there are costs associated with running a sweepstakes that can add up. If you're planning to run an internet sweepstakes with a retail component as well, you'll have to consider traditional marketing collateral to raise awareness in both spaces. In this article, we'll break down the numbers and take a closer look at the true cost of opening a sweepstakes. So, whether you're a seasoned marketer or a small business owner looking to increase sales and brand awareness, read on to learn more about the costs involved in launching a successful sweepstakes campaign.

Understanding the costs involved in offering a sweepstakes

Before jumping into the details of the various costs involved in offering a sweepstakes, it's important to understand the basics of what a sweepstakes is. In simple terms, a sweepstakes is a promotional giveaway that incentivizes users to take action, such as signing up for a newsletter, buying a product, or following a social media account. Sweepstakes are a popular marketing tactic because they can help increase brand awareness, sales, drive website traffic, and grow a company's email list while gathering first-party data.

However, there are costs that come with launching a successful sweepstakes campaign. Legal fees, prize costs, marketing expenses, technology, and software costs are all factors that must be considered when planning a sweepstakes. Let's take a closer look at each of these costs to better understand the true cost of running a sweepstakes.

For more insights on budgeting for your sweepstakes, read: [How to Budget for Your Sweepstakes or Contest Promotion](#)

Legal fees and permits for sweepstakes

One of the most important factors to consider when launching a sweepstakes is the legal requirements involved. In the United States, sweepstakes are regulated by both federal and state laws, which can vary depending on the state in which the sweepstakes is being held. This means that businesses must ensure they are in compliance with all relevant laws before launching a sweepstakes.

To ensure compliance and avoid legal trouble, businesses may need to hire a lawyer or sweepstakes administrator to help them navigate the legal requirements. This can be an expensive process, with some lawyers charging hourly rates of hundreds of dollars per hour.

Sweepstakes administrators can provide legal compliance advice, at a fraction of the cost of a lawyer. In addition to legal fees, businesses may also need to obtain permits or bonds to hold the sweepstakes, which can add additional costs.

Prize costs and delivery

Another cost involved in launching a sweepstakes is the cost of the prizes. Prizes are a key motivator for users to enter a sweepstakes, and businesses must ensure that they are offering prizes that are attractive enough to incentivize users to participate. However, offering high-value prizes can be expensive, and businesses should ensure that they are staying within their budget.

In addition to the cost of the prizes themselves, businesses must also consider the cost of delivering the prizes to the winners. This can include shipping costs, taxes, and other fees that must be paid to ensure that the prizes are delivered to the winners in a timely and efficient manner.

Sweeppea offers full-service managed sweepstakes administration which includes end-to-end sweepstakes creation and management as well as a self-service sweepstakes platform so you can pick the option that best matches your budget and business needs.

Marketing and advertising costs

Once the legal requirements and prize costs have been taken care of, businesses must also consider the cost of marketing and advertising their sweepstakes. In order to attract as many participants as possible, businesses must promote the sweepstakes through a variety of channels, including social media, email marketing, and paid advertising.

Each of these marketing channels comes with its own costs. For example, businesses may need to hire a social media manager or digital marketing agency to help them promote the sweepstakes on social media. Email marketing campaigns may require the use of a specialized email marketing platform. Paid advertising campaigns can also be costly, with businesses needing to set aside a budget for advertising spend.

Technology and software costs

In addition to the costs associated with legal fees, prizes, and marketing, businesses must also consider the cost of any technology or software that they may need to run the sweepstakes. This can include specialized sweepstakes tools like Sweeppea's Sweepstakes Platform, which can help businesses manage entries and select winners in a fair and transparent manner.

Other technology costs to consider may include the cost of web hosting, website design, and any other technical requirements that are necessary to ensure that the sweepstakes runs smoothly. These costs can vary depending on the complexity of the sweepstakes and the level of technical expertise required to manage it.

Case study: Cost breakdown of a successful sweepstakes

To better understand the true costs of opening a sweepstakes, let's take a look at a case study of a successful sweepstakes campaign. In this example, a direct-to-consumer brand wants to launch a sweepstakes to increase brand awareness and grow their email list.

The business owner decides to offer a prize of \$5,000 in cash to one lucky winner and budgets \$5,000 to hire a sweepstakes administration company to handle compliance, Official Rules, and winner drawings. The brand also sets aside \$5,000 for marketing and advertising expenses, including social media management and paid advertising campaigns. Finally, they budget \$2,000 for technology and software costs, including the use of a specialized sweepstakes platform.

After running the sweepstakes for two months, the business owner is able to attract 10,000 participants and grow their email list by 10,000 new subscribers. In total, the sweepstakes cost the business owner \$17,000 to launch and the acquisition cost per new subscriber was \$1.70 per subscriber. The industry customer acquisition cost (CAC) for each new customer averages \$86 per customer.

One of the main benefits of a sweepstakes promotion is that the CAC is low and the return on marketing investment is high when compared to other promotional vehicles. Source: Average Customer Acquisition Cost (CAC) By Industry.

Using this formula as an example, let's plug in the numbers above to visualize the customer acquisition cost (CAC).

CAC = \$1.70 per customer

This is just a glimpse of how cost-effective sweepstakes can be for your business goals and marketing campaign objectives.

First-Party Data from Your Sweepstakes

While it might be an upfront cost, the valuable data gathered (like consumer preferences, demographics, or email addresses) can be leveraged in future marketing campaigns, providing an ongoing return on investment.

Although it may require an initial investment, the data collected from consumers including their preferences, demographics, and contact information such as email addresses can prove invaluable and be effectively utilized in future marketing campaigns. After all, email is still the king or queen of ROI!

By leveraging this data, brands can generate a significant and ongoing return on investment through targeted advertising and personalized marketing strategies. This is because the information obtained offers insights into consumer behavior and enables businesses to tailor their marketing approach to individual customers, increasing the chances of conversion and brand loyalty. As such, while the cost may seem high at first, the potential benefits of utilizing this data to improve marketing efforts and ultimately increase revenue far outweigh the upfront expense.

Paid Media Channels & Reach

To properly promote a sweepstakes and gain traction, it is recommended to allocate the \$25,000 budget wisely across various marketing channels.

Here is a breakdown of how the budget could be allocated:

1. Social Media Advertising: \$8,000

– Allocate a significant portion of the budget to social media advertising platforms like Facebook, Instagram, and Twitter. Run targeted ads to reach a wider audience and generate engagement.

2. Influencer Marketing: \$5,000

– Collaborate with relevant influencers to promote the sweepstakes on their platforms. Identify influencers whose audience aligns with the target market for the sweepstakes. This can help generate buzz and attract more participants.

3. Email Marketing: \$3,000

– Create an email marketing campaign to reach out to your existing customer base and subscribers. Craft compelling emails that highlight the sweepstakes, its prizes, and the benefits of participating. Consider offering additional entries for sharing the sweepstakes with friends.

4. Online Contest and Giveaway Platforms: \$2,000 (Sweeppea Platform is \$399/mo.)

– Utilize online contest and giveaway platforms such as Sweeppea's [all-in-one sweepstakes marketing app](#). These platforms can help manage entries, track engagement, and provide incentives for participants to share the sweepstakes on their social media platforms.

5. Paid Search Advertising: \$3,000

– Allocate a portion of the budget towards paid search advertising on search engines like Google. Use keywords related to the sweepstakes, prizes, or incentives to drive targeted traffic to the sweepstakes landing page.

6. Prize and Incentives: \$4,000

– Make sure to allocate some budget towards the sweepstakes' prizes and incentives. Ensure that the prizes are attractive and aligned with the target audience's interests to incentivize participation.

7. Sweepstakes Landing Page Development: \$3,000 (Included with the Sweeppea Platform)

– Build a dedicated and visually appealing landing page for the sweepstakes. The landing page should include clear instructions, entry forms, and enticing visuals to capture participants' attention and encourage them to enter. If you opt to leverage our platform, you can save money on the landing page development and allocate that budget towards more advertising spend.

8. Analytics and Tracking: \$500 – Set aside a portion of the budget for accurate analytics and tracking. It can help monitor the success of different marketing channels, track conversions, and optimize promotional strategies.

Remember to adjust the budget allocation according to your specific audience and individual priorities. These suggestions should help you properly promote your sweepstakes and gain traction within the given \$25,000 budget.

Tips for managing sweepstakes costs

While the costs associated with launching a sweepstakes can add up quickly, there are several strategies that businesses can use to manage their costs and ensure that they are getting the best possible return on their investment. Some tips for managing sweepstakes costs include:

- Setting a realistic budget and sticking to it
- Negotiating with vendors and contractors to get the best possible rates
- Partnering with other businesses to share the costs of running a sweepstakes or the cost of prizes
- Using free or low-cost marketing channels, such as social media and email marketing, to promote the sweepstakes
- Considering alternative prize options, such as gift cards or merchandise, to reduce prize costs
- Hire a sweepstakes administrator for advice on cost efficiencies and low-cost prizes suggestions

Conclusion: Is opening a sweepstakes worth the cost?

In conclusion, launching a successful sweepstakes campaign can be a valuable marketing tactic for businesses looking to increase brand awareness and grow their email list. However, there are costs associated with offering a sweepstakes, including legal or administrative fees, prize costs, marketing expenses, and software costs.

By understanding the true cost of running a sweepstakes and implementing strategies to manage their costs, businesses can ensure that they are getting the best possible return on their investment. So, whether you're a seasoned marketer or a small business owner looking to increase brand awareness, consider launching a sweepstakes as part of your marketing strategy – just be sure to plan for the costs involved.

Contact us for a free estimate at support@sweeppea.com or at 305-505-5393.