

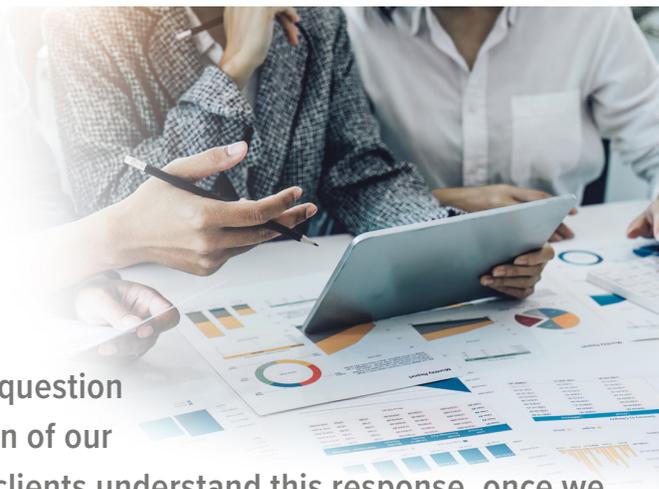
How to build your marketing budget

In nearly every new project or new client conversation we've had with clients over the years, there always comes a moment when clients ask us "How much will this cost?" — a question we are often obliged to answer with a question of our own: "Do you have a budget in mind?" (Most clients understand this response, once we point out that we're asking — not for the sake of cat and mouse — but because investment levels can vary considerably based on complexity, scope, materials, and more: 'A video' can range from a few hundred dollars to tens of thousands; a website can range from as little as \$3,000 to upwards of \$50,000 or even double that, depending on its goals, scope, and complexity.)

Putting variability aside, it's quite common at this point to hear clients confess that they do not have a project-specific budget, or in many cases, even an annualized marketing budget. Now, while one can make the case that every business should have an annualized budget — or that, by virtue of what they actually spend on marketing, all clients actually do have one (just not one that's written down!) — the reason we most often hear is that many clients simply don't know where to begin the budgeting process. After all, marketing can be a bit more amorphous to price-tag than more tangible expenses like payroll, insurance, cost-of-materials, and rent.

At an admittedly high level, here are two approaches to budgeting that you might consider if the discipline has you scratching your head or just paying as you go.

1. Build your budget based on a percentage of existing or projected revenues: A Marketing 101 textbook approach to start with centers on a calculation derived from projected revenues, with 2–4% of revenues being something akin to a "maintenance" mode — whereas introducing a new product or service typically demands a higher investment of revenues, say, 4-10% to establish



the new product or service in its respective market (aka: educating your sales team, seeding whatever distribution channel you have, establishing brand awareness, promoting trial, etc.) Either way, businesses with more aggressive marketing budgets tend to (but don't always!) make more noise and, in theory, secure or retain greater share of mind (with increasing share of the market to follow, if the messaging is right). Note: According to the February 2022 CMO Survey, B2B product companies typically spend an average of 9.4% of their revenue on marketing and B2B service companies spend 10%, though we suspect that includes costs related to sales (e.g., compensation, incentives, training, etc.)

2. Build your budget from the ground up: This approach begins by identifying and prioritizing marketing goals and KPIs for a given year (e.g., decrease website bounce rates by 5%, land 20 new national accounts, and so on). Next comes IDing your target audience(s) and how you plan to reach them (e.g., media, email blast, social media, trade shows, PR, skywriting, etc.). This is then followed by development of a line-by-line cost estimate for each of these activities. And finally,

continued on page 2

you tally them all up, tacking on contingency budgets for course corrections or unforeseen (but still important) expenditures en route. For instance:

- Let's say you plan to attend 6 trade shows next year, each one estimated to cost \$15,000 when booth space, graphics, on-screen demos, shipping, marketing team travel, promo around your attendance, and freebies are factored in. (Whether or not you include travel costs for salespeople working the booth or doing deals on the show floor depends on your philosophy: Just try to keep it apple-to-apples year-over-year, so you know where you stand each budget year.) So, trade shows? Those'll be \$90,000.
- Next, let's say you're willing to invest \$6,000 with a PR firm for each feature article they can land in three critical trade publications, multiplied by up to 10 such placements in a year. That's \$60,000.
- Atop that, you want to run digital or print campaigns in those same three publications this year, with placements

and production of the ads panning out to be \$22,000 each... That's \$66,000.

- Oh, wait, we'll also need \$500 a month for sponsored social media posts (\$6K); one blog per month on your website at \$1,200 (\$14.4K); and \$800 a month for email blasts to your customer and prospect list (\$9.6K)... All that comes to \$30,000.
- Website updates and maintenance for a year... Let's call that \$800/mo for a total \$9,600.
- And, well, you get the idea... Create your wish-list. Attach a reasonable budget for each activity. ID those that are hotter priorities (or that have easier-to-track ROI) in case word from the top is you need to sharpen your pencil. And then add them all up, along with some discretionary dollars... And you have an operative, high-level budget to begin your year.



Need help developing your budget using either of these approaches – or with translating your completed budget into a marketing program that, in turn, helps you reach the goals on which your budget is premised? [Contact Gail Cowley today!](#)