

SETTING A MARKETING BUDGET

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Setting a marketing budget, particularly if you've never done so before, can be tricky. Marketing spend may have previously been on an "as and when" basis with costs allocated to projects such as the development of a new website or the production of a new brochure, etc. And, while that may have worked for you in the past, if you're serious about your marketing and keen to ensure that you manage efforts and activities successfully, there are 10 key things you'll need to bear in mind about the money you're spending and what it's generating.

1. Investment or expense?

Your first step should be to recognise marketing as an INVESTMENT rather than an EXPENSE. An investment that, like any other, should reap benefits and generate a return for your business. Establishing a formal marketing budget, allocated to documented and agreed marketing objectives, will mean that at the end of the financial year you'll be able to determine what that return is and where you have invested wisely.

2. What type of business are you?

If you sell print in the B-2-B environment your business can reach out to its prospects and customers directly. Having identified your "ideal customer" you'll have a pretty good idea of who you're targeting and where to find them. Whereas in B-2-C (where you're selling direct to the public, perhaps in a high street copyshop environment) the target market is typically a much broader one, albeit concentrated in a smaller geographical area. This can make a difference not just to the channels you use but to the money you'll need to spend.

3. How established is your business?

A start-up business is going to need to invest more heavily than an established business. There are one-off costs when you're new and unknown that an existing business will have behind it – for example branding, corporate identity, a website, etc. - as well as the need to accelerate communications to gain prospect awareness. It's widely accepted that during the early brand building years, new

businesses spend a lot more than established businesses on marketing and this can be as much as 20 percent of sales revenues.

4. What's the geographical location of your market?

If your business predominantly serves customers located within a small radius of your location it's possible to target marketing communications into a concise market area. As a result, you can probably allocate a lower investment than businesses that have to build awareness and interest nationwide or even in international markets.

5. What does the competition look like?

If you are the only "game in town" or if you have succeeded in carving a very specific niche for your print-service offering you'll have less competition than if you position yourself as a PSP that will "print anything for anyone". Less competition means greater chances of success which, as a result, means a reduced spend is needed.

If however, new competitors suddenly appear, or you find your customers/prospects being aggressively targeted, or you are the underdog and want to take on the market leader(s) you're going to need to invest accordingly.

6. What are your objectives?

What do you plan to do this year that, say, you didn't do last year? What are your growth goals? Do you have new service offerings, or plans for new equipment that will

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give you additional capacity and require more print jobs to fill them? If you have plans to expand or broaden your offering you'll need campaigns to gain awareness, interest, and action and to fund the marketing and additional promotions required to make your plan possible.

7. Any "extraordinary" expenses?

If your plan for next year is "more of the same" but, for example, your brand is starting to look a little tired or your website doesn't work well on mobile or tablet, you'll need to factor that expense in. Recognise though that, however necessary, this sort of effort while it may secure your position in the market will not necessarily generate additional business/revenue.

8. What about the hidden costs?

Time is a major resource and cost in marketing and, in the print industry, the cost of creating and producing printed materials (as well as postage/distribution) is often overlooked. Be wary of doing that, for two reasons:-

- a. If you don't treat your own marketing just as you would a customer's, and make it just as important, you'll find that production of your printed collateral misses its deadlines or, even worse, never makes it on to the press!
- b. Your return on investment (ROI) calculations will be skewed and you'll appear to have generated a better return than you really have.

9. What about spending history?

Looking at what was spent last year and then adding or subtracting a percentage to come to this year's figure is a common formula for budgeting generally. Logical enough and perfectly sensible for elements of a business's **expense**, and you may be tempted to do the same with your marketing. But, if we agree that marketing is an **investment** and your team or resource not a **cost centre** then that's obviously the wrong approach.

10. Do ratios and percentages stack up?

Larger businesses often calculate marketing budget as a percentage of revenue/sales and it's said that the average marketing budget (which was slashed during the economic downturn) is likely to rise to around 4% of revenue in 2014*.

However, as with all statistics and particularly averages, this figure needs to be viewed with caution. While this could be a starting point – and in some cases a reality check! – the variables above should impact on the figure accordingly. As a general rule, small businesses (those with a turnover of less than £5 million p.a.) would be wise to allocate 7-8 per cent of their revenues to marketing, splitting this between:-
a) brand development activities (website, blogs, sales collateral, etc.), and
b) promotions (campaigns, advertising, events, etc.)

The hard and fast rules

So, there's no set-in-stone equation, or hard and fast rules, for allocating a figure to your annual marketing plans but, if all else fails, these two should be your guiding light:

- Have an affordable, realistic figure in your plans so that you have something to measure against this year and benchmark against next year
- Don't allow your marketing budget simply to be just "what's left over" once all your other business expenses are covered!

* Forrester Research report conducted in conjunction with the Business Marketing Association (BMA) released January 2014.