

The Budget Question

How did your company arrive at its marketing investment budget? Is there one?

Of course, the quality of the marketing will be the number one driver of overall results, but a company that invests too little in marketing will not realize its goals, and investing too much is just a waste.

Here are the three common methods for setting a marketing budget:

1 » LAST YEAR'S BUDGET PLUS X%

This is the easy way, but unfortunately, not the best. Many companies have been doing this for a number of years. The problem is that no one remembers what the number is based on in the first place!

2 » INDUSTRY COMPARISONS

Gauging investment relative to competitors is a little better, but it does not account for the aggressiveness of the company's objectives. Advertising Age publishes ad-to-sales ratios for 200 industries. You may find it interesting to compare your current investment level, in advertising at least, with the industry average.

You can also find out exactly where, when and how much one of your competitors advertised. Believe it or not, this information is available on most any competitor you specify.

3 » PLAN AND OBJECTIVE DRIVEN

The optimal method is to determine the tactics and investment levels that are required in order to reach the specific marketing goals that have been identified. The marketing goals are driven by the overall financial objectives of the company.

This all comes together in the marketing plan. A marketing plan helps the company best allocate scarce resources, sets the team on the same path, provides a clear map to success and delivers measurements of progress along the way.

Marketing is an investment. Determining the optimal level of that investment, and then executing with the most effective marketing tactics, is the best way to achieve success. And in an increasingly competitive market environment, there are great risks in not doing it as well as possible.

