

## Setting an effective marketing budget

Contributed by absolutebailbonds  
Friday, 20 July 2007

One of the most important decisions that a small to medium-sized business has to make is how much money to spend on a marketing budget. Prospects often ask, "How much should I spend on marketing?" The answer is, "It varies by industry and business size."  
{mosbotwordcount}

One of the most important decisions that a small to medium-sized business has to make is how much money to spend on a marketing budget. Prospects often ask, "How much should I spend on marketing?" The answer is, "It varies by industry and business size."  
It is also based on how much you want to grow, and how fast.

{bot\_wrgoogle}Both SCORE and USSBA define the variable for a proper marketing budget to be between 2% and 10% of sales, noting that for B2C, retail and pharmaceuticals can exceed 20% during peak brand-building years.

Most companies underspend on their budgets, thinking that not to spend is to save. This, quite simply, isn't true. You've heard it before, and it bears repeating – you have to spend money to make money. The trick is to spend your money wisely on a tailored marketing plan aimed at fulfilling your company's goals. Keep in mind that your marketing efforts are directly correlated with your revenue, so now is not the time to be penny foolish.

### Budget-Setting Guidelines

There are two main things to consider when setting a marketing budget:

The brand development or refinement of the brand and channels used to promote the brand. These include logos, Web sites, blogs, email campaigns, sales presentations, brochures, ads, etc.

- The ongoing expense of promoting and advertising your brand to your customer base.

For most small to medium-sized businesses, the percentage of revenue dedicated to a marketing budget is determined by industry and size. Below is a chart showing what we have put together based on several creditable sources.

#### Revenue Marketing Budget

Under \$5 million 7–8%  
\$5–10 million 6–7%  
\$10–50 million 5–6%  
\$50–100 million 4–5%  
Over \$100 million 2–3%

Here's an important consideration:

Every industry is different, so companies that sell to specific government branches or one that has an ultra-specialized niche may be able to deduct 1–2% from the above figures. If your company is B2B or B2C, you may need to raise your budget by 1–3% to see solid results.

Retail and pharmaceuticals lead the spending, with many of these companies spending more than 20% of net sales. Overall average is reported as 6%.

Many other circumstances will merit an increase or reduction in your marketing budget as a percentage of revenue. Feel free to contact us to discuss this, or visit <http://www.sba.gov/smallbusinessplanner/index.html>.

During an initial branding build or a re-branding phase, you should have a higher budget, which can be reduced in the future. This will allow you to contract for all the media you need to make an impactful brand impression.

Last year, ImageWorks clients spent on average between \$50,000 and \$120,000 building or rebuilding their “brand language.” The broad range reflects business size and industry.

Can I still grow my company with “baby steps”?

Sure. We call this organic growth, and it is how nearly every business starts off. Remember washing cars or mowing lawns for a few bucks? Next thing you know, your neighbor wants it done. That neighbor refers you to another neighbor, and so on. Many businesses grow their clientele on word of mouth alone, and are very successful.

But they usually hit a brick wall. That's where building a solid branding campaign helps. To rely on partial branding or organic growth alone, you risk losing revenue from business you did not get because X% never discovered you or did not have their interest piqued when they interacted with your brand. Nor can you account for lost revenue from those who perceived your current brand negatively and left your site without you ever knowing it. This is why it is so important to build the brand correctly. Why risk millions to save thousands?

Why do so many small and medium-sized businesses fail?

One reason is that companies do not allocate enough money for marketing. Successful and highly profitable small and medium businesses (SMBs) know how to allocate adequate funding to marketing each year. SMBs realize that marketing, if done properly, brings back solid returns and vice versa—whereas not allocating enough in your budget for marketing could spell disaster. Think of marketing this way: It is a fundamental ingredient for profitability and growth.

For more marketing information, please contact [sales@imageworksstudio.com](mailto:sales@imageworksstudio.com).

Michael Delpierre and Scott C. Margenau, the key principals at ImageWorks Studio, a leading marketing and branding agency, contributed to this article. They specialize in branding and marketing strategies, persuasive content and optimization, and revenue-generating programs for their clients. To learn more about ImageWorks Studio and what it can do for you, visit <http://www.brandsthat sell.com/>.