

Marketing Insights

Tips to boost your business

“What are our sales goals for the year?”

“What kind of marketing activities will it take to make those goals a reality?”

“How much will they cost me?”

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How Much Should I Be Spending On Marketing?

By David M. Fellman

I'm often asked "how much should a company of our size be spending on marketing." The answer I always give is that there's no single "right" amount for a company of any size, whether you're talking about a total number of dollars, or a percentage of sales. The size of the marketing budget should be determined by the specific situation of an individual company.

And while every company is different to be sure, it's possible to make a few generalizations as a way to begin your own budgeting process. I've come to believe that you can fit most companies into one of just four categories in terms of two of the most important business considerations—sales volume and profit. Those categories are: (1) larger companies with healthy profits, (2) smaller companies with healthy profits, (3) larger companies with low/no profit, or (4) smaller companies with low/no profit.

I'm not going to assign a specific volume range to any of these classifications, because the first point I want to make is only that the larger companies in any competitive category should have more raw dollars to spend on marketing. A \$5,000,000 per year bindery/finisher should have more to spend than a \$2,000,000 per year company.

Unhealthy companies obviously need to do something. Healthy companies may have less of a need to increase sales, but no less desire. While I've had some small business owners tell me they have "all the business they can handle" at various times, that's a situation that can change pretty quickly. The intelligent "healthy" business-person will take steps to insure that he or she remains busy and profitable.

Top Down

I've always preferred to take a bottom-up, raw dollar approach to budgeting rather than a top-down, percentage approach. You start this by asking yourself three questions: (1) What are our sales goals for the year? (2) What kind of marketing activities will it take to make those goals a reality? (3) How much will they cost me?

The best way to determine the total cost of these marketing activities is to create a marketing calendar for the entire year. Let's say that part of your answer to Question #2 was an aggressive direct mail program, with mailings going out to some number of potential customers every month. Calculate the cost of each mailing, including all of the various components like printing cost, postage, the cost of the mailing list, and any creative costs. Then plug that activity and it's monthly cost into each month on your marketing calendar.

Do the same thing with every activity you contemplate. When you're done, you'll have 12 individual month's worth of activities and 12 monthly sub-totals. Add them all up and you have the first draft of your marketing budget.

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David M. Fellman is the president of David Fellman & Associates, Cary, NC, a sales and marketing consulting firm serving numerous segments of Small Business America. He's also the author of "Listen To The Dinosaur" (The Fundamentals of Selling Haven't Changed!), available at www.dinosaurwisdom.com

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Wish List?

I say first draft because you might not be comfortable with the total cost of all of the things you initially want to do. That’s OK. The first draft of a bottom-up marketing budget is often a “wish list” that requires some adjustment.

But don’t ignore the reality of this situation. If you can’t spend the money you think it will take to reach your goal, you’re unlikely to reach that goal! Your best move in that situation may be to change the goal, because you have to base all of the rest of your business planning an assumption of what your sales levels will be.

I’m pretty confident in saying that just about any sales goal is possible if you can spend the money it will take to achieve it. That’s another way in which size can mean power in business. There’s no question that the larger company with healthy profits right now is the one who’s in the best position to grow, because he or she has the most money to spend to make it happen.

But it’s not just a matter of marketing big, sales growth is also a function of marketing smart. And you can do that no matter where you fit in the four categories listed above.

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