How to Better Manage Your Marketing Budget



Marketing without a budget and knowing how much money you have available to spend on the various parts of your strategy is not only risky business, it makes it harder to see if you're getting any kind of return on your marketing spend.

Managing marketing budgets is a vital part of company operations, but where and how do you get started?

Determine Your Total Marketing Budget

One thing you'll find plenty of on the internet is advice about how much you should be spending on your marketing efforts.

One school of thought suggests you should not be spending money on marketing at all until your company starts to turn a profit.

That's the wrong approach though, because how will you ever be able to turn a profit if there's no marketing out there to tell people you exist?

The question isn't really whether you should be spending money on marketing or not, but rather how much you should be spending.

Here’s a guideline to help you figure out what approach may be best for your small business.

- **If you’re a newer company or you’re aiming to scale quickly:** Plan to spend anywhere from 12 to 20% of your total revenue. If you want to scale quickly, keeping it at a 12% minimum ensures you are spending some money to make money.
- **As a more established company looking to maintain or increase profitability:** Plan to spend anywhere between five and 12% of your total revenue. You can get away with spending less because you’ve already built a base of loyal customers, so you’re using using marketing to keep them engaged and find new audiences rather than starting from scratch.

Regardless of how much money you plan on spending, the most important thing to remember is that you should not spend money you cannot afford to lose.

Marketing involves a lot of trial and error whether you’re trying to learn it yourself or spending money on experts to help you. While you’re running split tests to figure out what works best, there will be hit and miss things along the way.

Marketing can be a big gamble no matter how you approach it, so if you don’t make profit on your investment and that means losing your home, it’s best not spend it at all.

Create a List of Platforms You’ll Use for Marketing

Now that you know roughly how much money you can afford to spend, the next step is to choose the platforms and tools you’ll spend the budget on, then use that to get a better idea of the exact costs you’ll run into and how to divide your budget accordingly.

As you create your list of marketing platforms, consider your marketing goals and align your options with that.

Then, place everything on the list in order of priority. If your current marketing goals involve driving traffic for a new launch, then it doesn’t make sense to use

your Facebook ad spend trying to build more fans on your page.

It makes sense to use that spending to direct current fans to the launch landing page. Options for building out your marketing strategy include:

- Search engine optimization (SEO) to make your website easier to find in Google, Bing, and other major search engines
- Pay-per-click (PPC) marketing – using paid search platforms like Google Ads or Bing Ads
- Social media marketing – investing in content and PPC ads on platforms like Facebook, Instagram, Twitter, Pinterest, and LinkedIn
- Content marketing
- Influencer marketing
- Email marketing
- Public relations
- Trade shows
- Affiliate programs
- Physical marketing materials – business cards, direct mail, flyers, etc.

Be specific about the platforms you want to use. If you'll run ads on multiple social media platforms, list them all individually because it will matter for the next step.

Not sure whether you should use more than one social media platform? Use market research to determine where your target audience spends most of their time.

If you find that the people you are trying to reach don't use Pinterest, it makes no sense to spend your marketing budget there.

Estimate the Cost and Potential ROI for Each Platform

Before you can determine the best way to split up your marketing budget across digital marketing and traditional marketing methods, you need to look at the potential costs and ROI of each of your ideas.

While it's true certain platforms will cost more than others, those may also come

with a higher ROI, and that ROI will be realized much faster.

The reality is that while most PPC campaigns are expensive, but they can also yield a high ROI and quickly at that.

Email marketing is also a good option because it's fairly low cost and can provide a high yield.

Social media marketing, on the other hand, can be a low-cost investment if you do it yourself rather than hiring freelancers to help you.

But, because it is based on building relationships, it takes time to see any kind of return at all – let alone a high one.

As you look at the obvious costs of each platform, take time to look for hidden costs that will affect your ROI, such as marketing expenses associated with:

- Hiring an agency to consult or execute your marketing campaigns
- Hiring freelancers to help with content creation, graphics, etc.
- Hiring influencers for a campaign
- Marketing automation software
- Tools and other software such as email marketing platforms, split-testing tools, customer relationship management (CRM) software
- Cost of failed marketing attempts

Evaluate Your Current Strategy to See What's Already Working

If you're in a position where you've already got some marketing campaigns up and running and can see what's working for you (and what's not) then that's great.

This way, you can allocate funds to the strategies that are working well for you, and pull money away from anything that's proving to be a failed effort.

If you're seeing traction, don't give up in favor of something that's shinier or promises to be the next big thing.

Also consider that your low cost options take time to see results, so it's a long-

term effort and you must be willing to keep going to realize the benefits.

> *Taking time to see what's already working allows you to allocate more funds to those areas to generate revenue and prevents you from wasting too much money trying other options.*

Allocate Your Budget

Now that you've got a list of where you want to spend your money and how much each element will cost, it's time to allocate the budget to the appropriate areas.

Let's say you're a new business, Cat Tails Toys and Treats.

You sell gourmet cat treats and luxury toys. Total revenue is $100,000 and you want to scale quickly, so you opted to spend 15% of your budget – or $15,000.

We've decided the main platforms to use are Google Ads to bring people in the funnel, Facebook Ads to show cat owners to drive brand awareness, content marketing to build relationships, and of course email marketing.

We want to put $500 a month toward Google Ads and another $500 in Facebook Ads to reach new audiences and use retargeting.

Since the email marketing software costs $400 a year, we'll skip hiring someone to write the emails for us, and do it ourselves.

We don't have enough money left over to have a content marketer write every post, but gives us $1,000 to have a professional develop the plan so we can implement it.

The rest of the money handles the cost of marketing tools like our analytics, CRM, and social media management software.

In this case, the business decided they needed to prioritize ads to help them reach new audiences so the budget needed to go there, rather than hiring a content marketer to handle every post.

If they placed a higher value on content, they could have chosen to hire a mid-level freelance writer to write a post every week and had $200 to $300 a month

left over to use for ads.

If you take the time to prioritize what's most important to your organization, you'll find ways to make it work.

As long as managing your budget means sticking it to and analyzing it to make sure it's still working for you, you'll be fine.

If you fail at managing the marketing budget, you'll put your business in jeopardy.

The biggest part of managing a budget lies in keeping an eye on the spending and the ROI.

Once your goals change, you'll need to start over – to see if you can afford to spend more, get away with spending less, or adjust your spending.

You may decide it's time to focus more on content marketing and abandon the large ad spend to keep things moving in the right direction.

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