



Setting your Marketing Budget Determining the Right Amount

There are many ways to determine your marketing budget and it can be very overwhelming to choose the right amount to spend for your company. Even though most budget exercises require a bit of trial and error, this article should help narrow down your options. There is no one “correct” option to consider when setting your marketing budget, but here are a few methods that have worked for many companies.

1. The first option you have is to take a **percentage of your revenue** and to use that on marketing for your company. Most startups or small businesses usually allocate around 2-3 percent of their revenue. However, if you have a large company or are in a very competitive industry, allocating 15-20% is not uncommon.
2. The second option is to use a **percentage of your net sales**. This is similar to the first option, but you are deducting returns, discounts, and allowances.
3. The third option is **budgeting based on your competitors’ marketing expenditures**. For this option you would need to figure out how much your competitors are spending for marketing. Once you have figured this out, then you must expend slightly more on your marketing budget. This will hopefully allow you to increase your revenue accordingly.
4. The fourth method is using **anything and everything you can afford**. This is a risky option, because you are using the company savings and spending it on marketing. This aggressive approach can either work to your advantage or can fail miserably.
5. The fifth option is marketing based on your **desired customer growth**. Your marketing budget will be determined on customer number targets for the year. Once you figure out how many customers you would like, you have to multiply that by the amount it costs to bring in new customers. After you have calculated this, then you will know how much to allocate for marketing.
6. The sixth option is **marketing for free**. This is basically doing everything you can without spending any money. The most common guerilla marketing tactic is word-of-mouth. However, it can get very time consuming doing all your marketing this way, thus this might not be a wise choice.
7. The seventh choice is getting **professional advice from an industry source**. There are industry insiders who can project the amount of money you will need to spend for marketing to be successful. This number can be very accurate, however is often unattainable for the small business owner.



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8. The eighth option is marketing based on your **corporate objectives**. This is a great way to market simply because it is tailored to what you personally want to get out of your marketing experience. You must create a marketing plan, that will map out exactly how much you spend on marketing, and where. One piece of advice when doing so is contacting a professional that can help you tailor your ideas.
9. The ninth option is budgeting based on your **preferred market share**. This is when your projection is based on the goal of attaining a specific percentage of your particular market. You first must calculate every business' total marketing expenditures in your market. After this figure out where your business stands and then you can decide how much to spend on marketing.
10. The tenth option is similar to the first option, except with a little more help. It is a **blank-page budgeting** approach. Our Excel Marketing Budget Spreadsheet is available for download at www.clarityqst.com. Complete the spreadsheet by marketing campaign and you will be able to see the percentage of your total revenue to use.

After reading and further researching these ten options, it should be clearer which option will work for you. We recommend trying different options to ascertain which method will work best for your business.

