



Five ways to set an optimal B2B marketing budget



White Paper

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Determining the ideal marketing spend for your company can be a daunting task. Fear not—we can help. First, let's review some best practice guidelines.

Calculate, don't copy

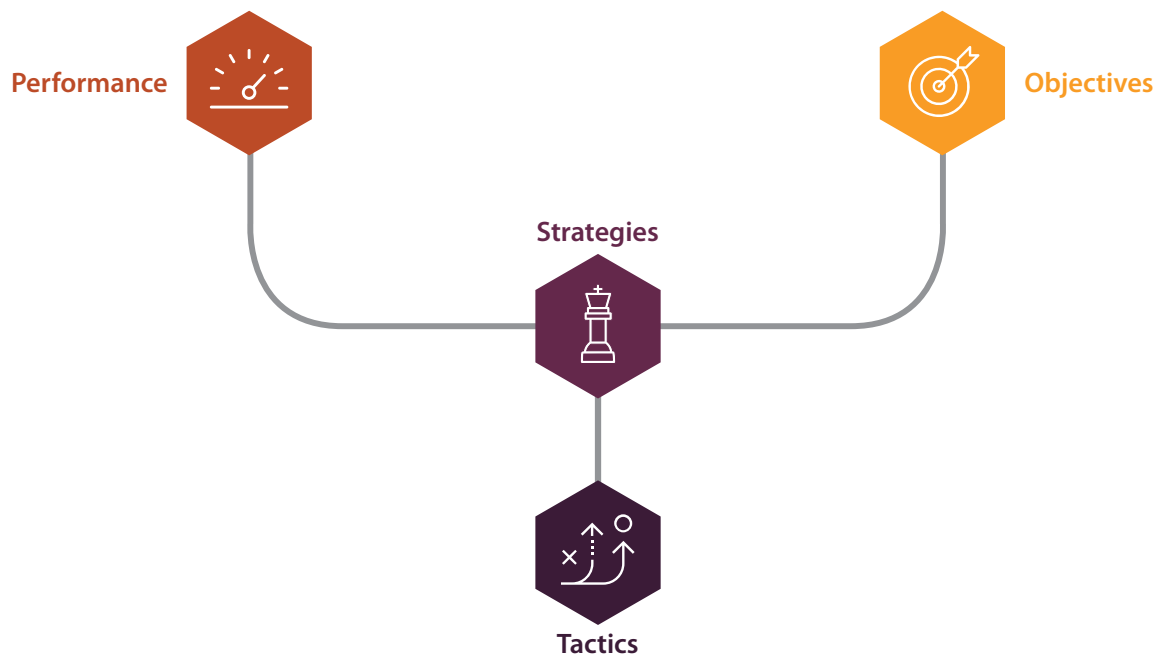
Don't just grab last year's budget and duplicate it or add 20% and expect it to be cut back to what you really need. That is lazy marketing that won't get you the budget or results you want.

Position your budget like your brand

Position marketing as an investment, not a cost center. If you expect leadership to invest, you must be aligned with corporate goals and have accountability and attribution baked in.

Align marketing objectives to business goals

At Clarity Quest Marketing, before creating a budget, we use a Goal POST exercise that aligns business goals to marketing performance measurement, objectives, strategies, and tactics. This process ensures marketing understands high-level business objectives and your executive team grasps marketing's key performance indicators (KPIs).



Audit your marketing department

Just as the finance team audits the company's books each year, so should you analyze your marketing department. The success of your company relies on the quality of your marketing strategy and tactical execution. Whether you're drafting a marketing budget of \$25K or \$250M, you can benefit from a **structured audit process**.

Let's get calculating

There is no one "correct" way to calculate a budget, but here are five methods business-to-business (B2B) companies use.

Method 1: Percentage of projected revenue

Forecast your revenue goal for the coming year and allocate a percentage of the total gross revenue for marketing campaigns. That's the easy part. The difficult task is figuring out the percentage to use.

Here are guidelines based on surveys and our data.

Marketing spend as percentage of projected revenue

	Source	% of revenue
Startups and small companies <\$25 million	Entrepreneur	12-20
	U.S. Small Business Administration	7-8
	The CMO Survey	13.9
	Clarity Quest's clients	7-16

Source	% of revenue	
Entrepreneur	6-12	Established companies >\$25 million
The CMO Survey	5.5-6.1	
Web Strategies	6.3-6.9	
Clarity Quest's clients	5-8	

Method #2: Percentage of net sales

Calculate the same way as method #1, except deduct returns, discounts, and allowances from revenue.

Method #3: Percentage of growth delta

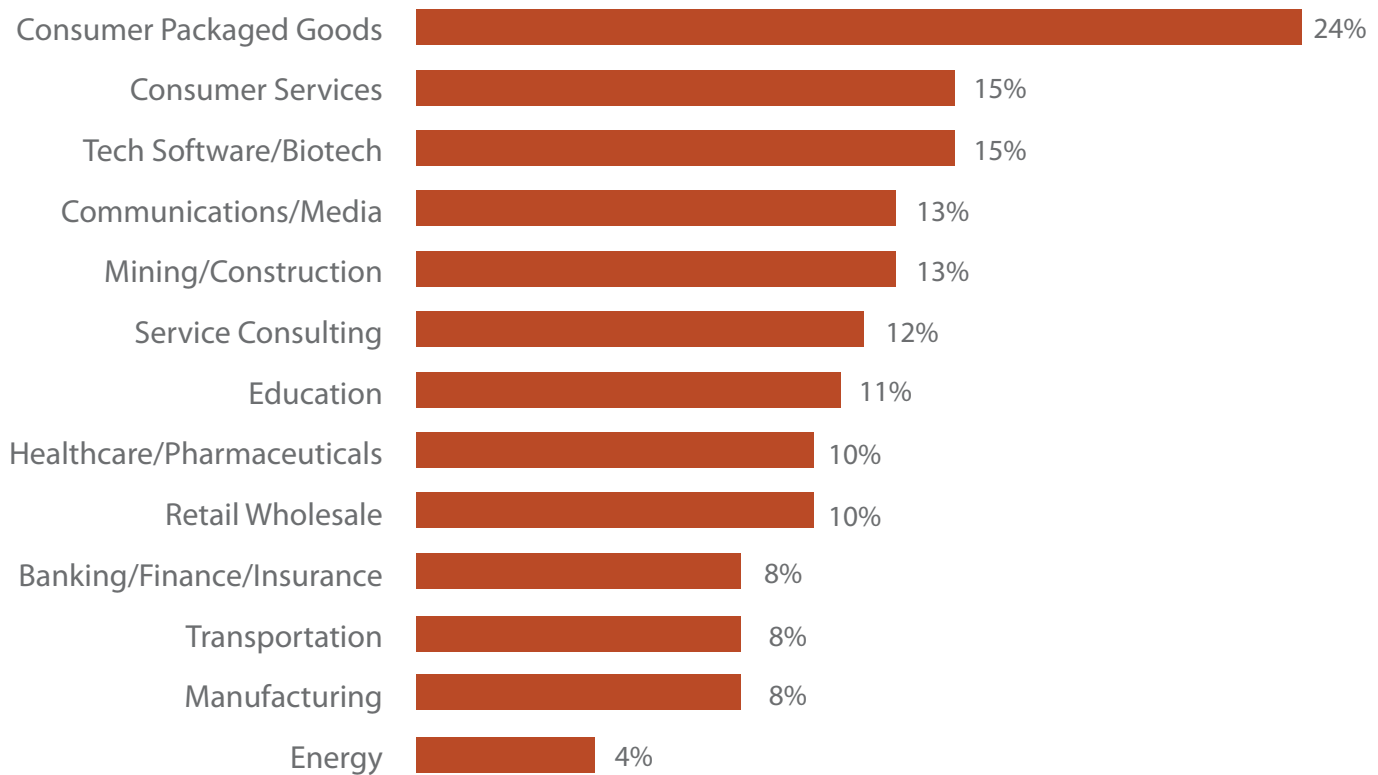
If your current annual revenue is \$2 million and you want to get to \$5 million, then your growth delta is \$3 million. Multiply your growth delta by anywhere from 10% for niche-market B2B to 40% for SaaS.

Method #4: Percentage of overall budget

For this one, you'll have to work with your CFO or accounting team because you need an overall budget number for the company. Here are guidelines by industry.

Marketing budgets by industry

Marketing accounts for what percentage of your overall budget?



You'll notice, for example, that tech software companies spend more on marketing as a percentage of budget versus healthcare. That's because tech often has lower infrastructure, research, and regulatory expenses compared to healthcare.

SaaS companies in competitive spaces often spend more than HALF of their annual recurring revenue (ARR) on sales and marketing.

Method #5: Desired conversions or new customers

This method requires you to know your cost of acquiring new customers, which is an important metric you should calculate even if you don't select this process. Some companies use marketing costs and some choose sales plus marketing costs.

Total loses x acquisition cost = marketing budget

Need assistance?

An experienced strategic marketing agency can help. We've crafted marketing budgets from \$100,000 to \$10,000,000.

Contact us today at 877-887-7611 or information@clarityqst.com.

About Clarity Quest Marketing

Clarity Quest inspires healthcare, biotech, and tech leaders to reimagine and embrace marketing so they can create an unparalleled success story. Founded in 2001, the agency helps technology companies experience growth and pursue successful exit strategies. Clarity Quest has offices in Seattle, WA; Ann Arbor, MI; Philadelphia, PA; and Mystic, CT.



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LOCATIONS

Ann Arbor, MI
Mystic, CT
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