9 ways to determining advertising budget assignment

Art & Culture

9 Popular Ways to Determine Your Marketing Budget 1. Percentage of revenues This is by far the most talked about method of determining your budget. This method works by taking a fixed percentage of your revenues (that's every penny your company brings in) and allocating that amount for marketing. The most commonly used numbers are 5-10% (generally for bigger businesses), 20% (used more for small businesses), and 2-5% (very large companies). Picking the percentage that works best for you will probably take some trial and error. Pros:?? It's an easy and understandable answer.

It makes for great cocktail party and networking event rumors. Cons:?? It really isn't very accurate. In fact, it's not accurate at all. Also, with small or new businesses, it can completely break down if you don't have much to show for revenue. Oh yea, and it will vary wildly depending on your profit margins. 2. Percentage of net sales Similar to taking a percentage of revenues, this determines your marketing budget as a fraction of your net sales. This method is a little bit less aggressive than the last method, since you exclude expenses from your calculations.

As with the first method, this method will take a lot of trial and error to find the percentage that works well for your company. Pros:?? It's also an easy way to create a marketing budget, and it might be a bit better than percentage of revenues for some industries (depending on profit margins). Cons:?? It's a broad generalization that isn't very accurate. 3. Everything you can afford In the realm of fast-growing small business, this is definitely one of the most popular answers. The idea is to set aside the money you need to keep your business alive (presumably your family too), and throw everything else at building popularity.

Proponents of this budgeting method will say that it helps grow your business quickly, and that you can worry about other things once you're established in the marketplace. If you choose to budget with this model, make sure you understand the risks you're taking. Pros:?? It's aggressive. Some Venture Capitalists like this plan because it means getting big fast. It is also another one that can be talked about easily, since it's pretty easy to understand too. Cons:?? It's risky. Most small businesses should not even think about this type of marketing budget unless they have a significant amount of backup. . A hair more than the competition This method is simple in principle: find out how much your competitors are spending, and use just-a-bit more than that to market your company. The reality of doing this is a lot more difficult than it seems, since it can be very hard to find out exactly how much your competitors are spending. If you do manage to find out that information, this method can be a great way to figure out how much to spend marketing. Pros:?? It's a reasonably good estimate of how much you'll need to spend to compete in the marketplace.

It can also save you some calculations, assuming you can actually get good information on your competitors. Cons:?? It's hard to find out what your competition is spending. Also, the act of entering the marketplace will likely change how much your competitors spend, so your numbers won't be accurate for long. 5. Desired customer growth This is a great way to determine your budget if you have a specific number of new customers as your goal. It does, however,?? take a lot of information to implement properly. First, you have to figure out how much it costs to get a new customer. Then, you multiply that cost by the number of new customers ou want to acquire. The result is the amount you'll need to budget in order to hit your target. Pros:?? It's a very accurate way to forecast the amount of spending you'll need to hit your goal. Cons:?? This method depends on having accurate data to begin with. It also ignores the immeasurable benefits of branding and image marketing. 6. Industry specific A lot of industries have specific projections as to the amount you'll need to spend on marketing if you want to make it. The best way to get these numbers is to find an association or organization that represents your industry and ask them for some averages.

Once you have the averages, you can refine the actual costs based on your own situation and experience. Pros:?? This can be a very accurate way to project what it will cost you to survive in your industry, and it's much less generalized than other methods. Cons:?? The industry average is going to include major players, so if you're bootstrapping this budget could be way out of reach. 7. Spend nothing, market for free You might be amazed at how many people think it's a good idea to spend nothing on marketing. While I don't think it's possible to launch a company without spending?? anything at all?? on marketing, you can actually come close.

At the end of the day, though, it usually comes down to this??? if don't want to spend any money on marketing, then plan on spending a lot of time. Time is money, money is time. If you don't spend one, plan on spending the other.

Pros:?? It's FREE of course. It doesn't cost anything, and you can give up on budgeting right now. Cons:?? It isn't actually free; you'll end up spending a lot of?? time?? on marketing if you follow this budget. 8. Desired market share This is another quick calculation that can give a relatively accurate budget, so long as you have good data to start with.

The projection is based on a goal of attaining a certain percentage of your market. The first step is to accurately define your market, the second step is to estimate the total marketing expenditure of anyone else competing for that market, and the last step is to take a specific percentage of that based on your goal. You're left with a number that is a rough estimate of how much you'll need to spend to hold on to your target market share. Pros:?? This estimation can be relatively accurate with good data to start with. It can also be easier to estimate the total market expenditure than that of a single competitor.

Cons:?? It's tough to get good initial data, and it involves a lot of calculation. 9. Objective/task oriented This is a general model that works by setting out objectives, planning out the tasks required to complete your objectives, and then estimating the cost for all of those tasks. It can work wonders for companies who have a lot of measurements and information about their business processes, and who have very specific objectives they want to reach. Pros:?? It's a solid way to determine your budget. You can also make sure it is tailored to what is specifically important to your company.

Cons:?? You need to have an understanding of what objectives are important to your company, and the ability to link them with tasks. This method can require a lot of calculations. Budget projections are only…projections It's important to remember that even the most accurate of budget projections is still only an estimate. Most of the time, your actual spending will be way off from your budget. The real benefit isn't about accuracy, though. The real benefit of having a budget is that it gives you something to work from??? a starting point. From there, you can make better decisions about the rest of your marketing.