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[Sales, Marketing, Promotion: Budget Right or Bungle - 3 Steps to Success](#)

Budget Right or Bungle – 3 Steps to Success

Consider your marketing and advertising dollars an investment, and allocate based on future opportunities, not just past practice. By Rich Delaney

With the start of the New Year and a challenging economy comes the need to think about ways to generate more business and greater profits.

Many companies find too many uncertainties in their business to even determine how to set up a marketing and advertising budget for the year. Also, their budgeting process consists too often of identifying basic traditional expenses, or taking last year's numbers and applying an across-the-board percentage increase to all line items. Although both of these approaches are fast and simple, neither works very well; nor are they suitable for today's volatile business climate.

Applying a basic percentage across the board and assuming the past tactics are right for the future risks not being prepared sufficiently for opportunities. Simplistic budgeting bungles future success.

A recent business publication provided some insights when it reported on how organizations will be budgeting for this year:

- 33 percent will reallocate the same budget in different marketing mediums
- 33 percent will spend less
- 27 percent of the companies will spend more on overall marketing
- 7 percent are allocating the same budget in the same mediums, e.g. print, electronic, Internet, trade shows

How will your budget change? Do you start with a determination of how much will be spent or by determining what needs to be accomplished?

The following three-step approach will help you decide how much needs to be spent, and will turn your marketing expenses into a results-producing investment.

Step One: Reflect on Past Successes

The best budgeting practices are not complex, but they do require management to take a little time for thoughtful reflection and answer the following:

- Which expenditures last year generated the desired results?
- Which expenditures failed? Should they be eliminated, or did they fall short due to inadequate funding or project management?
- What is the amount needed to adequately fund the anticipated opportunities?
- What new advertising and marketing approaches need to be explored and tested

against proven tactics of the past?

Completing this reflective step provides the solid foundation on which to build a results-oriented budget. Even if you find you cannot afford all the ideas generated, you have put yourself in a solid position to have a well-thought-out list for future consideration.

Step Two: Allocate the Funds According to Specific Time Periods

Too often budgets are allocated in a straight-line manner with an equal amount for each month. Or, worse yet, there is no monthly allocation and the lump-sum budget may often be spent in the first quarter without forethought as to the needs for the remaining months. In fact, most companies fail in their budgeting process by underfunding key projects and not timing their marketing and ad investments properly. That bad practice creates budgeting headaches for senior management and leaves them wondering if the monthly variances are good or bad. Timing the expenses in accordance to the needs of the individual tactics will make it easier to manage the budget.

Step Three: Assign Specific Goals to Budget Line Items

What is the return on your marketing investment? Most companies don't know. This is the leading reason that companies under invest in marketing and limit their success. They consider marketing and advertising an expense and not an investment. Modern managers know that by under investing in marketing and advertising, they are hurting the future growth of their company. They, therefore, evaluate each line item and assign a desired goal: How many new accounts will be generated by the trade show? How many current customers will increase their orders due to the informative newsletter? How many prospects will be attracted by our new product advertising? How many click-throughs do we expect on our Web site?

You also want to have a 12-month budget plan and not find that you spent it all in the first quarter and can't take advantage of new opportunities. There is no single way to establish a budget for all businesses, since every organization is a little different. However, best practices require a 12-month budget that is broken down in the key parts and each line item tied to specific goals or performance criteria. To be effective you must have metrics to achieve a solid return on investment of your marketing and advertising dollars.

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