Ag Decision Maker

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# How Much Should I Spend on Marketing*

Estimating the marketing portion of your budget is no easy task. It often comes under the shadow of "darned if you do and darned if you don't."

You will hear people say (often as a complaint) that they spend nearly one-third of their budget on marketing. Then you may hear a comment from another businessperson that he or she "got the lion's share of the year's business off of a $500 leaflet."

This tells you that instinct and common sense are both involved in the process of setting a marketing budget. But here are some more definitive guidelines.

- If you are starting up as a company, a sizeable chunk of your budget over the first two to three years will go to marketing, especially with electronic modes added to (not replacing) the print vehicles you need to use.
- If you add trade show presence to the budget, you can expect to spend hefty bucks to have a presence that meets, and perhaps exceeds, the impact of your competitors.
- Direct advertising will boost the dollars you spend. Print, radio and television ads must be professionally done, and these cost goodly sums.
- As a start-up, plan to spend 20 to 30 percent of your budget the first year or two on activities related to marketing. It should pay off.
- If you are simply carrying on with already established (and paid for) marketing activities, 7 to 10 percent would be more realistic.
- You also should plan to seize opportunities when they arise. That means shifting – sometimes increasing – planned expenditures for marketing activities.
- If your marketing category includes personnel (in sales or, for larger endeavors, a marketing specialist), those figures are in addition to the activity-based budget. After a few years, they can actually, with some economies of time and scale, figure into that marketing percentage of budget.

Your marketing efforts, for the most part, pay for themselves. Sure, there are some things you simply must do to establish your company's image, your brand, etc., especially at start-up. The point of marketing is to increase business. In other words, it must be effective. It might be to your advantage to look at marketing expenditures beyond the bare necessities of establishing an image in the following way.

If I spend "X" dollars to do this activity, how much new business do I need to generate to cover the costs of doing the activity? Can I reasonably expect to turn that amount of business? Can I reasonably expect to turn more than that? How much more? New business in addition to what is needed to pay the costs of the activity is an increase in your bottom line.

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