



A New Approach to the Marketing Budgeting Process

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Ahhh Fall...For many of us it signals welcome relief from the summer heat. Also, for many of us it signals budgeting season and that too many marketers will be submitting their budgets before even creating their marketing plan. Yes, that does seem a bit backwards! How can you know what to budget if you don't yet know what you plan to do? So what do we do? One common approach is to build the budget based on how the current budget is allocated across headcount, travel and various marketing activities, such as PR, Digital, Events, Training, and so on, make a few adjustments and hit the submit button.

While this may seem like a feasible method, it's a dangerous one. The budget may be allocated against activities we intend to produce, but it's unclear what impact or value these activities, and the associated funds, are going to have on the business in terms of new customers, retained customers, additional vertical or customer expansion, or contribution to the business from new products. It's no wonder our budget is suspect and immediately comes under fire, especially from the folks in Finance. And this approach sets the stage for questions like these:

- Why ads in these pubs?
- Why so many webinars or trade shows?
- Why so much money for the email automation platform?
- Why so much money for new content?

Right away we're playing defense – with others e.g. finance, suggesting ways we can reduce our spending. And before we've even gotten out of the gate our budget is

eroding. If this isn't your world, congratulations! If it is, here's the shocker. It's your fault.

If those of us who end up in these conversations had taken a different approach, the conversation would have gone differently. As marketers we need to think beyond the subaccounts in the cost accounting system. We need to understand how the dollars we're requesting are actually going to move business needles. Businesses are based on revenue and profits generated by customers buying our products/ services, hopefully profitably. This is the very essence of Marketing. As a result, we need to think about our budgets in terms of the customers and what they buy. So rather than submitting a budget for activities, what if you submitted a budget that allocated funds into buckets such as these:

1. Marketing generated business from net new customers buying existing products
2. Marketing generated business from existing customers buying existing products
3. Marketing generated business from net new customers buying new products
4. Marketing generated business from existing customers buying new products

Of course this would mean we would need to know how many existing customers the company currently serves, where, what products they buy, and how many potential customers there are for these products and where are these potential customers. And we'd need to know what new products are going to market, the competitive situation, and what customers are most likely to buy these products. And we'd have to have some targets for each of these categories. Imagine though that we knew this information about our customers, products, and market.

If we were to budget in this fashion, it doesn't mean our friends in finance wouldn't be making a visit, but the conversation will certainly be different. They will still want to know why we need so much money but instead of defending an activity that we don't even know we will want to deploy since we haven't created the plan, we'll be having a discussion about the business – how many customers, which ones, how easy or hard it

will be acquire, retain or grow these customers, our competitive situation, and our product innovation situation. I'd rather have these conversations with the CFO or other members of the leadership team any day than a conversation about which tradeshow to attend. And once we have clarity around marketing's contribution via customer acquisition, retention and growth, we will also have achieved better alignment with the business and gained insight into how to measure and account for our value. Plus we will have created maneuvering room and the ability to select the activities best suited to achieve the result.

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