



73 Developing a budget

What is a budget?

A budget is the amount you estimate spending on your business marketing over a defined period of time. A budget is the amount required to support the resources you will need to achieve the goals you have set. Your budget must balance with your estimated sales revenue figures. It must be an amount that assists in moving your business forward but doesn't bankrupt you in the process. Your marketing budget may be one of many budgets that you set for your business.

Why is it important?

Having a budget will ensure that you keep on track with the marketing activities that you have planned. Having carefully analysed what the best methods to market your business are, and set some clearly defined goals, you will have created the basis from which you can create your budget. Having a budget will make you stop and think when you get offered new marketing opportunities during the course of the year. You may find yourself having to decline to some late-space advertising because it does not fit into your budget. It will make you more careful and discerning when it comes to making decisions about how you spend your money. This is a good thing, as a lot of money can be wasted with ill-planned, haphazard marketing activities.

Your challenge

Your biggest challenge will be in accurately setting your budget and then sticking to it. You will need to spend some time working out what resources you will need to make your goals happen. Creating a budget is not about picking a random figure and sticking with it, nor is it as simple as working out what you spent last year and adding 10% for good measure.

How to create a marketing budget

Your budget can be created in several ways depending on how exact you want to be. You can estimate, or work out an exact figure.

How to estimate

If you have been in business for over a year and have been tracking your marketing-related expenditure then you will be able to calculate how much it costs you to acquire one new customer, or costs to sell one product. All you need to do is total up how much you have spent and how many new customers you have acquired or how many units of your product you have sold. Once you have these two figures, simply divide expenditure by either new customers or units sold. This will give you the cost to acquire one customer or sell one unit.

Now take the goals you have set for customer acquisition or unit sales target and multiply them by the unit cost of acquisition. This will give you a rough estimate of what you may need to invest to achieve your goals for next year.

How to work out an exact figure

This will involve some research on your part. You will have to work out exactly what resources you will need to achieve your sales and marketing goals and what these resources are likely to cost you.

Your list may include all the marketing methods you have decided have the best chance of giving you the greatest return.

Once you have an exact figure you will need to compare it with the revenue that you are planning to achieve over the next 12 months. Your marketing budget should end up as a realistic percentage of the amount you hope to bring into the business.

Marketing is a business expense that whilst being tax deductible still must be set up to bring in a measurable return.

DEVELOPING YOUR BUDGET – SPECIAL RESPONSE CHECKLIST

- ▶ Which marketing methods have you chosen to implement?
- ▶ What is it going to cost to utilise your chosen marketing methods?
- ▶ What resources are going to be required to implement these methods?
- ▶ What will you need to invest in each segment to achieve your goals?
- ▶ What return would you expect?
- ▶ How will you measure the return on your investment?

How to use this information

If you haven't set a budget before, then this may be this the time to start. If you have, then perhaps there are ways in which you could improve the process you use. What should you be spending? This is a question that many people ask when they are new to marketing their business. The answer depends very much on what you are planning to achieve and the best route to that. If your marketing spend brings you a good return, then it is an investment not simply expenditure. The more you gain, the more you will be comfortable spending.

Think budget and spend wisely