A Budget For Your Marketing Plan

We are now to the last column about building a marketing plan for your business. I have done this series of columns because many of the small business CEOs with which I have visited, mention that they want to work on a new or revised marketing plan for their business. That is an excellent goal and I commend those who take the time to sit down and think about and plan for their marketing efforts. We started by focusing on your market, your target customer, and then matched those with your business goals. In the last column I suggested various strategies and tactics for your plan.

The last section of your plan will break down the projected expenses of your marketing efforts. This section includes any estimated expenses for the creation, development and distribution of your materials. Your budget plan should include the estimated purchase cost of raw materials, printing and postage. If you plan to take part in any trade shows, your travel costs, booth fees, setup costs plus any other particular expenses should be accounted for.

You develop a marketing budget initially by simply calculating your initial marketing expenses. Once you have that information down on paper, you can go back and either do more research or add more details to further refine your calculations.

If your business has been running for a while, you should know how much money your current sales are generating. You can use that information to divide into your past marketing expenses and calculate your “cost of marketing.” That will also tell you what it cost you to sell one unit or what it cost to acquire one customer. If you haven’t been in business long, or are just starting out, you can use your initial sales goals as the basis for developing your marketing budget. Of course, you’ll have to revise these figures once you get actual sales.

I suggest this little math exercise to help you calculate your cost of acquiring each new customer. You will notice that you need to start “tracking” how you got that new customer (think about how you can find out how that person came to you to buy your service/product).

1. Distribute ____________ (quantity of promotional effort) by ________ (medium)

2. At a total cost of $__________

3. Acquire _____ new customers as a result
4. Divide the money spent by the number of new customers:
   $______ divided by _____ = $______

5. By using this media message to reach this target market, the cost to
   acquire 1 new customer is: $_______

6. To get _____ (goal) customers the budget would be: ____ (number of
   customers) x $_______ (cost per customer) = $______________

After you have an estimate of the cost to sell an item or acquire a customer, you’ll have
a good understanding of how much money you should budget to increase your sales and
meet your sales goals.

Your plan should never be set in stone. If you make changes to a tactic you can always
update your marketing plan to reflect those changes.

A solid, well thought out marketing plan will help you focus on how you need to expend
your efforts. It might take some work to find the initial information, but once you have a
plan in place, you can invest your time, energy and motivation into making your
business a success.

One last reminder. Remember the 80/20 Rule. Invest 80% of your advertising budget
and effort in proven promotions and 20% in testing new variations. Most businesses
using this system continue growing, even in a highly competitive market.

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