BRAND NEW PERSPECTIVES DENISE LEE YOHN

It's Budget Time!

Q: It's a new year and it's time to set marketing budgets. What are some guidelines to follow?

A: The New Year is a great time to kick-start your marketing. But before you jump right into budgeting, take the time to outline your marketing objectives. If you don't know what you're trying to accomplish, it's difficult to identify the best approaches for reaching your goals and determine how much to spend on each.

Possible marketing objectives might include: generate awareness; increase repeat visits; differentiate your brand from your competitor's; familiarize people with your offering; introduce a new product, new menu, or new service offering; encourage first-time customers to try your products; increase purchase frequency; increase average check; or improve your value perceptions.

While all of these may be important, you should select two to three as your top marketing priorities for the year. If you try to address all of these needs, your marketing efforts will be too disparate to produce any real effect.

Clarifying your marketing objectives should help you determine how much your total marketing budget should be, since you can weigh the importance of achieving those objectives relative to other budget items. The general rule of thumb is marketing expenditures should be between 2 and 10 percent of sales. But that's a very broad guideline, and certain factors may call for exceeding the top end of that range, up to as much as 30 percent.

For example, retail and restaurant companies tend to need to spend more on marketing, since we're in highly competitive categories with a lot of promotional activity. Start-up companies and small businesses also need to spend more, as they're just getting established in the marketplace. SCORE, the nonprofit association dedicated to helping small businesses, advises that companies with less than $5 million in revenue should allocate 7–8 percent of sales to marketing, while those with more than $300 million only need to spend 3–4 percent.

Once you've set your overall marketing budget, you should revisit your objectives to decide how to allocate the money across different media and programs. You don't want to spend all of your budget on one type of media or a single program, nor do you want to spread your money across too many options. The right mix is entirely dependent upon your situation, but there are a couple of principles I recommend:

The 70/20/10 model. New media options are coming out all the time, and many of them offer exciting new ways to reach and engage with customers. But their effectiveness remains uncertain. While it makes sense to rely on proven media and past successful programs, you don't want to keep on doing things simply because that's what you've always done or that's what everyone else does.

You want to try some new approaches in moderation. To achieve the right balance between your tried-and-true tactics and experimental ones, follow the 70/20/10 model: Allocate 70 percent of your spending to bread-and-butter programs, or those that have been successful for you or others in your category. Allocate 10 percent to new channels and opportunities, but don't expect to see any kind of return on investment—at least, not at first. The best return you will get from experimenting in this way is learning what works and what doesn't. Then use the remaining 20 percent of your budget to build out the most successful of the previous year's 10 percent.

With this approach, you will have a constant pipeline of new programs and options that keep your marketing fresh and your company on the leading edge, while still relying on proven methods.

Annual plan. Consider creating a 52-week marketing calendar—or, if you're a start-up, you may need to plan a shorter timeframe, like three to six months. The point is to designate your marketing efforts in advance. You should plan for your tactics and campaigns to line up with your business plans, like product introductions and store openings, and to stimulate demand at critical points during the year, such as holidays, local happenings, and other relevant events. You also want to plan for seasonal effects.

Of course, you should keep a reserve of marketing funds to spend opportunistically, but planning month to month or shooting from the hip should not be your ongoing approach. By planning in advance, you'll be able to take advantage of media-buying efficiencies, plan your staffing and inventories better, and coordinate various marketing programs so they complement and build off each other.

One final word: Setting your budget is the perfect time to plan how you will measure the effectiveness of your marketing spend. This is another way the marketing objectives you first laid out should help you. For each marketing objective, determine the desired outcome and how you might quantify or track that outcome. For example, if your objective is to increase trial among first-time customers, your key metric would be the percent of traffic coming from new customers. So you will want to plan a marketing program that allows you to track that data; perhaps you might run a coupon and ask customers to check a "new customer" box when they redeem it. Sometimes tracking results involves some upfront spending, so be sure to include that in your plan.

Let's have a great year!

Brand New Perspectives is taking your questions. If you are an owner, operator, or executive with a branding question, email **Denise@qsrmagazine.com**.