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White Paper

Average Marketing and Advertising Budget Calculations



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integrated strategic marketing

THE “AVERAGE” MARKETING AND ADVERTISING BUDGET

Marketing Requirements From Company To Company Are Anything But Average.

If you were told the average temperature in the world today is 64.5 degrees Fahrenheit, would you know whether to wear shorts or a jacket when you go outside tomorrow in your own town or state? Of course not.

The “average” temperature information in the world today has nothing to do with YOUR conditions or environment. When we extend this truism to our business environments we as marketers must ask the question: why do so many in the advertising and marketing industry try to benchmark the average marketing expenditure of the industry to determine the parameters to set their company’s marketing and advertising budgets?

Traditionally, companies report and refer to the average marketing and sales budget for their industry. This number is often misleading to advertising and marketing executives more times than not. Considering others average as a key point in budget and strategy discussions leads most companies down a precarious path before they even start to think about what they should or should not be doing with their marketing investments.

The actual range of marketing investment across industry sectors is from 1% to something over 60% of gross sales. This 60% delta or broad average range span is not consistent enough to use outside the company in which the conditions existed to influence the spend. Even if you had the number from each of your competitors, it’s totally useless without doing the work to delta the averages. If you are going to go to the trouble to do the work, you might as well determine the right amount of investment, the right strategies and the right tactics and their associated costs that comprise the best solution for your brand with the resources available.

The amount you need to spend on integrated marketing depends on YOUR objectives, not on the “average” objectives of other companies reflecting their SWOTs and environmental challenges. Every brand’s marketing and communications needs are unique, based on where they stand.

If you reduce benchmarking to only three companies in your market (versus utilizing an average of thousands of disconnected benchmark cases that are geographically dispersed), you might think the unrelated data issue would be removed by means of diversity and aggregation. That’s not necessarily the case.

Effective Marketing And Advertising Is Considered An Investment Rather Than An Expectation.

Consider this example of three companies in your market. One company spent 2% and sustained its profit and position; one spent 12% and was profitable and expanded; and the third similar company in your region spent 6% and was going belly up. Would you automatically select the average (6%) as an ideal, even though the third company is going broke? Just like we tell our kids, we are not average; we are the pacesetters who the average will follow.

A company's marketing budget varies depending on the size of the company and the product's stage of the marketing life cycle because newer products cost more to market. The percentage invested on marketing a company, never mind a specific industry or niche, will be dependent on many factors, including the strategy at that moment, and the goals and objectives of the organization. A good marketing budget always mirrors the goals of the organization—no matter how aggressive or conservative they may be.

Other factors determining marketing budget expenditures include:

- Industry
- Segment
- Products
- Type of marketing
- Target audiences
- New company or launching new product lines
- Marketing environment
- Personnel
- Technology positions
- SWOTs

When a company is the recipient of effective marketing and advertising, it will be considered an investment rather than expenditure. Marketing and advertising budgets should reflect the true essence of the needs within an organization rather than mimicking what the leadership of an organization wants to hear. It's a tough job for the marketing executive but in the end it is one of our primary responsibilities to the brand: to know, communicate and facilitate the next most appropriate marketing step for YOUR company.



Marketing Strategy Serves As Your Guide To Accomplishing Corporate Plan.

THE POINT: Whatever is the average in our industry, or even region, is not a pivot point marketing and advertising executives should want driving strategic marketing decisions. A thoroughly researched, strategic marketing plan will define, gain consensus and meet and exceed expectations, and offer the greatest ROI for the brand.

Do you really want to short cut the strategy process of assuring you are configuring and recommending to your company, that will achieve the most amount of results for your company based on your conditions and recourses? As professional marketers, we must lead our organizations to what is right, not make decisions because of what was spent last year or what competitors reported.

With an initial comprehensive marketing strategy serving as a guide to accomplishing your company's corporate strategic plan, you will assure your company of doing the right thing, at the right time, in the right way, to achieve YOUR company's specific goals and objectives. Not only does this approach make the most sense, it provides the greatest value for your marketing dollar.

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