Determining the Right Marketing Budget for Your Company

There are many ways to determine your marketing budget and it can be very overwhelming to choose the right amount to spend for your company. Even though most budget exercises require a bit of trial and error, this article should help narrow down your options. There is no one “correct” option to consider when setting your marketing budget, but here are a few methods that have worked for many companies.

1. The first option you have is to take a **percentage of your revenue** and to use that on marketing for your company. Most startups or small businesses usually allocate around 2-3 percent of their revenue. However, if you have a large company or are in a very competitive industry, allocating 15-20 percent is not uncommon.

2. The second option is to use a **percentage of your net sales**. This is similar to the first option, but you are deducting returns, discounts, and allowances.

3. The third option is **budgeting based on your competitors’ marketing expenditures**. For this option you would need to figure out how much your competitors are spending for marketing. Once you have figured this out, then you must expend slightly more on your marketing budget. This will hopefully allow you to increase your revenue accordingly.

4. The fourth method is using **anything and everything you can afford**. This is a risky option, because you are using the company savings and spending it on marketing. This aggressive approach can either work to your advantage or can fail miserably.

5. The fifth option is marketing based on your **desired customer growth**. Your marketing budget will be determined on customer number targets for the year. Once you figure out how many customers you would like, you have to multiply that by the amount it costs to bring in new customers. After you have calculated this, then you will know how much to allocate for marketing.

6. The sixth option is **marketing for free**. This is basically doing everything you can without spending any money. The most common guerilla marketing tactic is word-of-mouth. However, it can get very time consuming doing all your marketing this way, thus this might not be a wise choice.

7. The seventh choice is getting **professional advice from an industry source**. There are industry insiders who can project the amount of money you will need to spend on marketing to be successful. This number can be very accurate, however is often unattainable for the small business owner.
8. The eighth option is marketing based on your **corporate objectives**. This is a great way to market simply because it is tailored to what you personally want to get out of your marketing experience. You must create a marketing plan that will map out exactly how much you spend on marketing, and where. One piece of advice when doing so is contacting a professional that can help you tailor your ideas.

9. The ninth option is budgeting based on your **preferred market share**. This is when your projection is based on the goal of attaining a specific percentage of your particular market. You first must calculate every business’ total marketing expenditures in your market. After this figure out where your business stands and then you can decide how much to spend on marketing.

After reading these nine options and viewing our infographic, it should be clearer which budgeting method will work for you. We recommend consulting with an experienced technology marketing company for guidance before setting your budget.

**Develop your new marketing budget today.**

To arrange a marketing assessment or phone consultation, contact us at 877-887-7611 or visit clarityqst.com.

**About Clarity Quest**

Clarity Quest Marketing combines high-tech knowledge with marketing and business acumen to provide marketing services to technology and healthcare companies across the U.S. Founded in 2001, Clarity Quest serves companies in the biotechnology, software, hardware and professional services industry. The agency has offices in Michigan, Connecticut and Washington.

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